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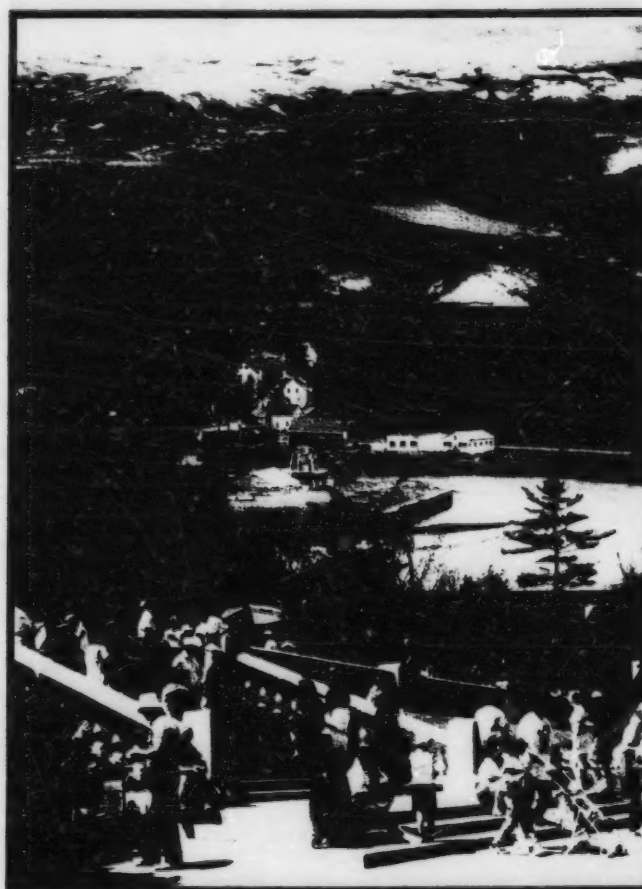
LANDSCAPE ARCHITECTURE

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GEOMATICS

**NOVA SCOTIA CHILD
CARE FUNDING
REVIEW**



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ANNEX1**DISTRIBUTION OF CHILD CARE IN NOVA SCOTIA**

Provided as a Separate Document

EXECUTIVE SUMMARY

The Child Care Funding Review was launched in April 2000 to address funding and delivery issues. The first phase, implemented in July 2000, allowed 95 subsidized spaces to be portable and follow the child, rather than attached to an individual centre. This second phase, undertaken over a seven-week period beginning in January 2001, reviewed funding programs and practices and made recommendations on how to improve the way public funding is invested in child care in Nova Scotia. This is the report of the second phase of the funding review.

This review:

- provides direction to the development of a comprehensive delivery system of accessible, community-based, high quality early childhood programs;¹
- recommends changes to the way the Nova Scotia government funds regulated child care; and
- raises questions that need answers before embarking on the direction.

It focussed on the:

- two main sources of funding for primary licensed child care—grants and subsidies; and
- most pressing needs – stabilization of the existing child care programs, and essential role of raising salaries in stabilizing the system.

KEY FINDINGS

- The provision of child care is reactive and not guided by a policy framework. Two major policy initiatives of the current government have an impact on child care. First is *The Course Ahead* (2000), which outlines a corporate goal of increased self-sufficiency. It puts the emphasis on child care as a support to parental labour force attachment, but does not address the needs of the child. Second is the federal/provincial/territorial Early Childhood Development Agreement of the National Children's Agenda. It puts the emphasis on healthy child development and outcomes, but does not address the fact that most parents of young children are in the paid labour force.
- Wages of child care staff are generally at or below poverty level. The average hourly wage of a teacher in a child care centre is \$8.51²
- There is a serious shortage of trained staff; turnover is high.
- Wages, in relation to the cost of early childhood training, are a barrier to training, and equivalency provisions in the regulations are a disincentive to training.

¹ The Terms of Reference limited the scope to a review of funding. This report is not a review of the child care system itself, quality of programs, child outcomes, parental satisfaction, or the value for money spent. The Review focussed on the primary form of licensed child care services. Issues with respect to funding of child care for children with special needs or regulated family child care were beyond the study's scope.

² Doherty et al. 2000. *You Bet I Care! A Canada-Wide Study on Wages, Working Conditions and Practices in Child Care Centres*.

- Nova Scotia spends about 1/2 the Canadian average per child in regulated care.
- In general, the quality of child care in Nova Scotia is mediocre.
- There are funding inconsistencies and inequities within the child care system (particularly in the methods of providing grants and subsidies) and between child care and related programs.
- Grant and subsidy programs (with the exception of the 95 portable spaces) are limited to non-profit child care operations. Therefore, non-profit centres are able to pay higher wages than commercial centres.
- There have been no financial incentives for communities to develop new non-profit programs.
- There has been no planning to develop neither child care nor any target levels of service, resulting in uneven geographical distribution of services.
- 50% of licensed child care spaces in Nova Scotia are commercial (compared to 17% in Ontario, 13% in Manitoba and 14% in Quebec).
- Average size commercial centres generate little or no profit.
- Nova Scotia is the only province to have the same subsidy rate for all ages of children. It also has the lowest subsidy rate for infants in the country. Low rates result in centres having to surcharge low-income parents, while at the same time keeping fees as low possible so that subsidized parents can afford to use them. The low subsidy rates also affect the ability of the centres to pay reasonable wages.
- Subsidized parents have fewer choices of child care centres that fee-paying parents, sometimes resulting in ghettoising and stigmatising their children.
- Financial administration of the subsidy system is cumbersome and inefficient.
- There are insufficient staff in the Department of Community Services to support and develop the child care system.
- Information on child care programs is not reviewed or analysed systematically.
- There is inadequate monitoring of public funds spent on child care.
- Little known about the effectiveness of the management of child care centres.

SHORT-TERM RECOMMENDATIONS

Objectives:

- improve wages and benefits;
- reduce turnover;
- develop conditions and accountability measures for government and centres receiving public funds;
- distribute public funds more equitably, rationally and consistently among child care programs;
- provide subsidized parents with the same access to regulated child care options in their communities as full-fee parents; and
- ensure that Early Childhood Development Services has adequate staff to implement the proposed changes.

Recommendation 1: Separate grants funding from child care subsidies.

Recommendation 2: Provide salary grants to all existing full-day centres that wish to apply and meet eligibility criteria as established by Early Childhood Development Services.

Recommendation 3: Provide salary grants to full-day centres in a manner that reflects:

- the legislated child:staff ratio for each age group;
- the hours and days of operation of a centre; and
- the average enrolment

Recommendation 4: Replace the infrastructure and the equipment grant with a single program grant and establish guidelines for its use.

Recommendation 5: Increase the supply of subsidies, make all new subsidies portable and increase the portability of under-utilized regular subsidies.

Recommendation 6: Adjust the subsidy rates to better reflect the cost of care associated with each group.

Recommendation 7: Undertake a comprehensive review of family child care including management structure, optional licensing methods, employment status of caregivers, wages of caregivers and training requirements for caregivers.

Recommendation 8: Undertake a comprehensive review of child care for children with special needs, including training requirements for child care staff, necessary supports for children and the development of evaluation/outcome measures of interventions.

Recommendation 9: Develop a database of child care centre, parent and child information that will support

- the subsidy claims process;
- the grant application process;
- the child care licensing process;
- the planning, implementation and monitoring of child care funding programs;
- program review and evaluation activities; and
- future policy development and service planning.

Recommendation 10: Allocate increased staff resources to the Department to enable the necessary policy development and effective implementation of funding changes to take place. Priority areas are program and policy analysis, finance and administration, and information technology.

OBJECTIVES FOR THE TWO TO FIVE YEAR TERM

- improve access to training and professional development;
- integrate and/or improve co-ordination among early childhood programs and services;
- increase the availability and affordability of regulated early childhood programs and services;
- ensure that children with special needs have equitable access to programs and services;

- explore alternative models of regulated family child care to expand child care options;
- examine alternative vehicles for the administration and management of child care centres;
- balance the changing needs of the labour force for more flexible care arrangements with good developmental practice;
- develop a non-profit, community-based infrastructure; and
- develop new funding mechanisms for early childhood programs and services that are based on a public funding model and availability regardless of family income

LONG TERM RECOMMENDATION

Recommendation 11: Create a strategic plan for the provision of child care in Nova Scotia. The plan will describe the mission, goals and objectives that the people of Nova Scotia have for child care.

CONCLUSIONS

The changes we recommend:

- are practical, based on proven practise and can be implemented with modest increases in financial resources;
- focus on stabilizing the current child care system to;
- preserve and improve the current system;
- buy time to develop a Nova Scotian policy and strategic plan for child care; and
- If the Department implements the recommendations and proposed formulae, spending on regulated child care will increase by \$6.6 million.

Given the current government spending on regulated child care and the resources available through the Early Childhood Development Agreement it is not possible to re-distribute funding without disadvantaging some centres that now have a disproportionate allocation of public funds. Government will have to decide whether to continue to disproportionate allocation.

It is premature for Nova Scotia to consider the best way to invest in child care and enhance its infrastructure. It should not try to make fundamental changes until it develops a policy and goals that answers the question "What kind of child care system does Nova Scotia need and want?"

1.0 INTRODUCTION

Quality licensed child care is an important element of broader social policy. It is a support to families in their parenting role, it helps ensure that children have access to good early care and learning opportunities, and it helps parents to enter and stay in the paid labour force. Child care is not the only support that families need, but it is an essential one. Research shows that:

- quality child care is delivered by well-trained and fairly-compensated staff, in settings that are regulated and community-based;
- children benefit from quality child care; and
- the benefits to society outweigh the costs.¹

The majority of children in Nova Scotia do not have access to such child care. There are only 7,761 full-day and 3,337 part-day spaces, for a total of 11,098 licensed spaces,² to serve the 152,000 children under the age of 12. Government has played a limited role in the planning, development and delivery of child care. Unlike health care or education, child care is not an entitlement. It operates primarily on a fee-for-service basis, according to what the market will bear, with little support in the way of public funding. Therefore, the child care system has developed in an ad hoc manner, and operates without a coherent policy framework. Some families have access to affordable child care; others do not. Some child care centres receive substantial assistance from government and are able to pay reasonable wages; others receive no funding from government and cannot pay comparable wages. There is little equity for children, for parents or for those working in child care.

The Government of Nova Scotia has been involved in child care funding since 1971, when it introduced fee subsidies. Many government and community studies have identified the need to improve both the funding and the delivery mechanisms.³ The Child Care Funding Review was launched in April 2000, to address these issues. The first phase, known as the *Portability Project* allowed, for the first time in the province, 95 new "portable" subsidized spaces to be attached to a child rather than a particular non-profit child care centre. This first phase has been accomplished and an interim evaluation has been completed.

End Notes

¹ Cleveland & Krashinsky, 1998 estimate every \$1 invested in a universal child care program, reaps \$2 in social benefits

² The space statistics used throughout the report are those contained in the Department of Community Services Annual Report for Family and Children's Services Division, Early Childhood Services Division March 2000

³ The following reports have all called for further study and/or review of child care funding and have made recommendations for improvements:

Final Report of the Task Force on Day Care Financing, 1979

Task Force on Day Care, 1983

The reports of the Round Table on Day Care, 1991, 1994 & 1998

Day Care Services: Business Process Engineering Report, 1994

The Atlantic Day Care Study, 1995

A Tall Order, 1997

Non-profit Directors Association submissions, 1997 & 1999

The Child Care Management Study, 1999 and

Recruitment and Retention of Qualified Early Childhood Care Staff in Nova Scotia, 2000

The second phase began in January 2001 to review programs and practices, and make recommendations on how to improve the way public funding is invested in child care. The approach taken in this review is based on the principles stated in the government's 2000 policy document, *The Course Ahead*:

- quality of service;
- fairness to regions and people;
- value for money; and
- accountability for Nova Scotians

OVERVIEW OF THE FUNDING REVIEW

The review was conducted for the Department of Community Services, in consultation with an internal Working Group. Interviews, data gathering, review activities and preparation of the report were undertaken over a seven-week period commencing in January 2001. The purpose of the Child Care Funding Review is to make recommendations on ways to:

- build on the strengths of the existing child care system,
- develop an effective and efficient funding program for child care,
- be more responsive to the needs of families, including families with children who have special needs,
- build upon the results of the Phase One implementation of portable spaces,
- co-ordinate the method by which child care funding is provided by various sections/divisions within the Department, and
- improve the funding delivery mechanism.

This review recommends a direction that can lead to the development of a comprehensive delivery system of accessible, community-based, high quality early childhood programs.⁴ It provides an assessment of the major strengths and weaknesses of the system related to funding policy and mechanisms. It proposes adjustments to the current approach that take a first step toward that goal. Finally, it raises questions that need thoughtful, thorough consideration and approached in a consultative manner with the early childhood community and the families it serves.

⁴ This is not a review of the child care system itself; it does not assess the quality of programs, consider child outcomes, evaluate parental satisfaction, or assess value for money spent. The focus has been on the primary form of licensed child care services, that is, centre-based care. Recommendations have not been made regarding the funding of child care for children with special needs or regulated family child care. They are discussed in the report only briefly, as it became evident during the course of the review, that addressing the issues surrounding the delivery of these programs are beyond its scope. Each of these programs needs an in-depth review.

This Review is organized into four sections:

- an introduction which provides a background for the review, an overview of its approach and limitations, and the emerging themes from the consultation
- an overview of child care in Nova Scotia
- issues in the current funding mechanisms and proposed changes
- conclusions and recommendations

Given the time constraints for completing the review, the consultants worked with data that were readily available, consultation that took the form of focus groups with child care directors representing non-profit and commercial centres, meetings with provincial government officials, and telephone interviews with individuals representing provincial organizations, and key informants and stakeholders from other provinces.

Cost estimates in the report are based on best information available as of March 6, 2001. Information on the age breakdown of children served, actual fees charged, wages paid to caregivers, numbers of children served through other funding programs is not readily available.

During the course of the study the following activities were undertaken:

- key informant interviews and meetings with Department of Community Services staff at the agency, regional and Head Office level with responsibility for a child care related program area, policy, or finance and administration;
- stakeholder interviews with representatives of the provincial child care organizations and associations across Nova Scotia;
- a meeting with the Nova Scotia Round Table on Child Care;
- interviews with government officials in other jurisdictions, representatives of selected child care organizations, selected program directors, and researchers and consultants;
- focus groups held with the Private Licensed Administrators' Association, the Non-Profit Directors' Association, and the Cape Breton Non-Profit Day Care Directors Association;
- site visits to centre-based private and non-profit centres, a Child Development Centre and Family Resource Program;
- a review of the research literature; and
- a review of relevant studies, documents, reports, forms, and procedures specific to Nova Scotia.

EMERGING THEMES

During the interviews and meetings, a number of common themes emerged. In every stakeholder interview and focus group the key theme raised was staff recruitment and retention.

Personal Commitment

The strength of the child care system was seen to be the commitment of the people who work in it, and who stay if they can afford it, even though they often make below poverty level wages. Without staff working for such low wages, there would be no child care system in Nova Scotia. This same strength was seen to be a concern, as older staff and directors move into retirement or leave the field because they can no longer afford to remain. The next generation is not entering the child care field; those who might have become early childhood educators in the past are

now seeking higher paying careers in education or health. A teaching assistant in the public school system earns considerably more than a child care staff person, has good benefits and working conditions, and requires less training. Guidance counsellors are encouraging high school students away from early childhood education, unless a love for children is their only asset. During interviews and focus groups directors consistently commented on the problems of turnover and of not being able to find qualified staff. Licensing officers indicated that they often have to deal with centres that do not fully meet the regulations for adequately trained staff.

Lack of Human Resources Internal to Early Childhood Development Services

Lack of staff has resulted in little monitoring of programs, capacity for service planning, program evaluation, regular data collection or analysis, or policy development. There is little accountability for child care spending. Centre budgets and financial statements receive only the most cursory review. Grant amounts are based on history rather than any formal process; there are few program reviews or outcome measures. There are no integrated systems of data collection and much of the claims process is manual. Therefore, there are inconsistent funding policies and a lack of a co-ordinated approach across programs and across government departments. There are few standards for accountability to help centres know how to be accountable.

Many child care staff and directors mentioned the impact of the loss of the financial officer position from the Early Childhood Development Services (ECDS) section. They indicated that the financial officer had offered them advice and support in the budgeting and accounting process. They also spoke of the need for greater communication with the Department. In particular, they indicated a desire for licensing officers to play a greater role as program advisors, rather than simply as enforcers of regulation.

The following comment made by a child care director echoes the expressed sentiments of several key informants.

The Department needs more staff; we need a better relationship with licensing officers. They are stretched so thin, all they can do is look for what's wrong. We should be working from the viewpoint of capacity, not deficit ...more of a consultative role and better communication.

Points of Contention

There were two main points of contention arising from the consultation. The first was **whether any or all subsidies should be portable**, or rest with a particular child care centre. Directors of highly subsidized centres expressed concern that portability would destabilize their programs if subsidized spaces were spread over a larger number of centres. They were mixed on support for "lending" a space if it was unused in their centre and wanted assurances that it would return to them when needed. Since the highly subsidized centres are located in largely low-income neighbourhoods, directors indicated that they would not be able to draw on a fee-paying clientele if there were vacant spaces. Some directors of centres that had a greater mix of full-fee and subsidized spaces mentioned that they had waiting lists for the subsidized spaces and vacancies in full-fee spots.

Commercial operators were much more in favour of all spaces becoming portable. They felt that subsidized parents should be able to choose the centre that best meets their needs. They suggested that this choice would raise the quality of child care programs, as parents became more informed consumers.

The second point of contention was on which centres should receive public funds. The opinion was again split between the non-profit and commercial programs. Directors in non-profit programs pointed to the research that showed higher quality in non-profit centres, the increased accountability, the fact that wages were higher and that there was no room for profit in the provision of quality child care. They also believed that commercial centres could get small-business loans and grants, benefit from certain tax write-offs and end up with equity in real estate that they felt should not be partially paid through government grants and subsidies.

Commercial operators argued that they have to meet the same regulations as non-profit programs, and that they sometimes did not even make a wage, let alone a profit. Some indicated that since there were no development or capital start-up grants for non-profit centres, they had little option but to open a commercial centre, using their own resources to do so, even though they initially had considered non-profit administration. Several participants in a focus group suggested that they would consider conversion to non-profit if it was feasible to recoup their investment.

The issues surrounding non-profit and commercial operation of child care and who should receive public funds has been an ongoing debate for more than 20 years. It is part of a larger issue of whether:

- child care benefits only the consumer and therefore should be purchased in the private market place (with government intervention to aid the needy); or
- child care provides benefits to society at large and therefore should be considered an essential public service in the same way as education and health care.

SUMMARY OF FINDINGS

The findings of the review correspond to many of the issues that had previously been identified by the child care community and by department staff. They are summarised below.

- For the most part, wages of child care staff are at or below the poverty level;
- There is a serious shortage of trained staff in child care centres and turnover is high;
- There are insufficient staff in the Department of Community Services to adequately support, monitor and further develop the child care system;
- Information on child care programs, needed to guide research and policy development, is not reviewed or analysed in a systematic way;
- There are funding inequities between child care and other programs that serve children and families;
- There are funding inconsistencies and inequities within the child care system, particularly in the methods of providing grants and subsidies to centres;
- Subsidy rates do not reflect the cost of child care;
- The current method of allocating subsidized spaces is inequitable and inefficient;
- Subsidized parents have fewer choices of child care centres that fee-paying parents, sometimes resulting in ghettoising and stigmatising their children;

- Financial administration of the subsidy system is cumbersome and inefficient;
- There is inadequate monitoring of the use of public funds spent on child care;
- There is no planning for developing and reaching target levels of services, resulting in uneven service provision;⁵ⁱ
- There are no financial incentives for communities to develop new non-profit programs;
- Equivalency provisions in the regulations are a disincentive to training;
- The wage that can be earned in child care in relation to the cost of early childhood training at the private post-secondary institutions is a barrier to training;
- Little is known about the effectiveness of the administration and management of child care centres across the province.

The Terms of Reference directed the consultants to propose changes to the way that Nova Scotia funds child care, within the limitations of current spending and new funds (soon to be made available by the federal/provincial Early Childhood Development Agreement of the National Children's Agenda).

The focus of this review has been on the two main sources of funding for child care—grants and subsidies, and on the most pressing need identified during the review—raising the average wage of child care staff.

⁵ⁱ Nova Scotia currently has enough full-day licensed spaces for 5.1% of children 0-12. Quebec, for example, has a target of enough full-day licensed spaces to meet the needs of approximately 40% of children 0-5, by the year 2005, distributed equitably across regions.

II. OVERVIEW OF CHILD CARE IN NOVA SCOTIA

The ways in which government is involved in child care affects its delivery. Quality, affordability and availability of the services, and the equitable and effective distribution of public funds are, in large part, dependent on government policy. Policy drives funding amounts and mechanisms, program development and levels of service.

GOVERNMENT INVOLVEMENT IN CHILD CARE

The Federal Role in Child Care

The federal government does not have direct jurisdiction over child care, but it has had an important impact on child care over the years, by the ways in which it has both provided and withdrawn funding for services and benefits. Appendix 1 summarises its involvement and influence in child care. Federal involvement in child care comes via:

- the Child Care Expense Deduction;
- the National Child Benefit, and the resulting Nova Scotia reinvestment in Healthy Child Development Initiatives;
- selected actions of Health Canada;
- selected actions of Human Resources Development Canada; and
- federal/provincial/territorial initiatives, in particular the Social Union and the resulting National Children's Agenda.

The Provincial Role in Child Care

The Government of Nova Scotia has the responsibility to license and regulate child care programs, and establish funding guidelines, eligibility conditions and levels. Unlike health care or education, child care is not a mandatory service, and therefore, it has been up to individual provincial governments to decide how great or little a role they wish to play. It is the level of involvement that has defined the supply, quality and stability of programs.

Nova Scotia enacted the first child care legislation in 1967: *The Day Nurseries Act* and introduced the subsidy program in 1971. In 1987, training requirements for child care staff were implemented. In 1990, a salary enhancement grant was introduced and the Round Table on Child Care was established.

In the past, Nova Scotia provided funds only to the non-profit sector, in keeping with the cost-sharing requirements of the income-testing route of the Canada Assistance Plan, which ended in 1996. A number of provinces provide operating grants only to the non-profit sector. However, other than Saskatchewan, where more than 90% of child care is non-profit, up until July 2000, Nova Scotia was the only province to allocate a specific number of fee subsidies to only non-profit programs, and to attach grants to those subsidized spaces.

In 1989, the maximum fee subsidy was \$14/day with a minimum user fee of \$1.25. Today it is \$17.20, with a minimum user fee of \$2.25, a net increase of \$2.20. During the same period the eligibility for full subsidy of a one-child, one-parent family increased from \$12,520 to \$16,812.⁶ Nova Scotia has seen very little expansion in licensed child care; between 1992 and 1998, only 337 new spaces were added.⁷

⁶End Notes

Childcare Resource and Research Unit, 1990

⁷ Childcare Resource and Research Unit, 2000

The Nova Scotia government supports the delivery of child care and related programs via:

- Employment Support Services;
- Child Welfare;
- Family Resource Programs;
- Early Intervention Programs;
- Child Development Centres;
- family child care;
- part-day centres;
- full-day centres; and
- organizations that receive funding from ECDS.

Appendix 1 provides a detailed description of each of the program areas.

GOVERNMENT INITIATIVES

Policy determines the role government will play in relation to the community, provides a rationale for spending increases or cutbacks, and suggests a framework for focus and action. Two major policy initiatives of the current government in Nova Scotia have an impact on child care.

First, *The Course Ahead* (2000), states that one of the corporate goals is increased self-sufficiency. One of the steps in achieving this goal is:

...expanding our day care resources for those who have opportunities to participate in training or employment but who in the past had to forgo those opportunities since they lacked affordable child care.

One of the measures that will be implemented effective August 2001, is an increase in the child care allowance for social assistance recipients participating in an employability program. Parents will be able to receive up to \$400/month to cover the cost of any child care arrangement that they choose. This represents an increase of between \$100-\$200/month depending on the number of children in the family.

Second, the Early Childhood Development Agreement that all provinces and territories (except Quebec) signed with the federal government is part of the National Children's Agenda. It is a federal/provincial/territorial strategy to improve the well-being of Canada's children. Early childhood development is identified as a priority for action. Under the agreement federal funding can be applied to programs that fall within four broad categories:

- promoting healthy pregnancy, birth and infancy
- parenting and family support
- early childhood development, learning and care, including pre-school and child care
- community support, such as that aimed at integrating family and child services available in communities

The agreement states that:

Early childhood development programs and services should be inclusive of:

- children with different abilities and
- children living in different economic, cultural, linguistic and regional circumstances

The first year of this five-year agreement will into effect on April 1, 2001. Nova Scotia has announced that it will direct a portion of this new money to early childhood programs, such as child care.

Each of these two initiatives has a different policy objective.

- The first puts the emphasis on child care as a support to parental labour force attachment, but does not address the needs of the child, nor monitor the stability of the arrangement.
- The second initiative puts the emphasis on healthy child development and outcomes, but does not address the fact that most parents of young children are in the paid labour force.

These two different objectives highlight one of the major issues in the delivery of child care, often resulting in isolated program fragments and contradictory messages about its purpose. Is it a support to parents or a child development program, a targeted program or a universal one, a market commodity or a public service?

Research finds that disadvantaged children do not benefit from targeted programs, nor do the greatest number of children at risk come from low income families.⁸ The *National Longitudinal Survey of Children and Youth* (NLSCY) shows that proportionally children from lone-parent, low-income families are at greater risk for developmental delay or disadvantage, but numerically there are more children considered vulnerable in middle and higher income families. Thus, universal programs, rather than those targeted to low income families, have the greatest impact.⁹

The Government of Nova Scotia has played a very limited role in child care and is far from delivering it as a universal service or a right. There is no overall policy framework guiding the development, operation and funding of child care. Program development has been up to individuals and community groups. Consequently, child care services are unevenly distributed across the Province.

OVERVIEW OF SPENDING ON CHILD CARE

Child care is an expensive service, the cost of which is borne primarily by individual parents. Parent choice is limited by the short supply of quality arrangements and the high cost. The following tables provide some demographic and financial information related to the supply of and spending on child care in Nova Scotia.

⁸ Lero 1998, Human Resources Development Canada 1996

⁹ Keating and Hertzman 1999, Bertrand & Beach 1998, Doherty-Derkowski 1995

TABLE 1. NOVA SCOTIA CHILD CARE FACTS

Average family income in Nova Scotia ¹⁰	• 1995: \$46,110¹¹ • 1990: \$49,140 (expressed in 1995 constant dollars)
Estimated number of children 0-12, 1998, ¹² With a mother in the paid labour force:	• 152,000 • 97,000
Number of regulated child care spaces 2000:	• Full day: 7,761; Part-day: 3,337
Approximate number of subsidized spaces 2000:	• 2,600
Median monthly fee for regulated child care for a 3-year old, 1998 ¹³	• \$412
Cut off point for eligibility for full child care subsidy (net income):	• \$16,812 for one parent, one child • \$17,712 for two parents, two children
Cut off point for partial subsidy:	• \$24,540 for one parent, one child • \$34,092 for two parents, two children
Maximum subsidy:	• \$17.20/day, less minimum user fee of \$2.25/day/family
Average hourly wage for a teacher in regulated child care, 1998: ¹⁴	• \$8.51
Average hourly industrial wage, 1998: ¹⁵	• \$18.17

¹⁰ Statistics Canada, 1996

¹¹ Nationally, more than 70% of families using regulated care earn less than \$20,000/year or over \$50,000/year (Rose, in press)

¹² Childcare Resource and Research Unit, 2000

¹³ Doherty et al. 2000

¹⁴ *ibid.*

¹⁵ Statistics Canada, 1999

TABLE 2. SUMMARY OF ESTIMATED PROVINCIAL SPENDING ON CHILD CARE 2000-01

Regulated child care:	
Fee subsidies ¹⁶ⁱ (including infant differential)	\$8,562,514
Special needs differential	\$1,005,272
Start up grants	\$17,430
Salary grants	\$2,455,194
Infrastructure and equipment grants	\$509,398
Family day care grants	\$42,470
Child Development Centre grants	\$300,000
Total on regulated care:	\$12,942,279
Other spending:	
Early Intervention ¹⁷ⁱⁱ	\$1,500,000
Funding to organizations	\$150,600
Payments to parents through Employment Support	\$793,000
Payments to providers/centres through Child Welfare	\$875,000
Total spending on child care	\$16,260,879

¹⁶ⁱ total does not include \$1.05 million in unspent subsidy dollars on 269 unused spaces

¹⁷ⁱⁱ Early Intervention is not a child care program per se, but is part of Early Childhood Development Services and an important component of ensuring co-ordinated services for children with special needs

TABLE 3. NON-GOVERNMENT CONTRIBUTIONS TO THE CHILD CARE SYSTEM IN NOVA SCOTIA

Assumptions and estimates:	Estimated contribution
Assuming that the 5,500 full day full fee spaces cost an average \$21/day, the parent contribution is \$21 x 5500 spaces x 260 days	full-day, full-fee parent fees: \$30.03 million
Assuming 2/3 of subsidized parents pay an average surcharge of \$3.80/day plus minimum user fee of \$2.25/day: \$6.05 1,716 spaces x 260 days	fees paid by subsidized parents: \$2.70 million
Assuming the 3,357 part-day spaces offer a morning and afternoon program 10 months a year @ \$8/day x 3,357spaces x 2 programs/day x 216 days	part-day parent fees \$11.60 million
Assuming _ of the 97,000 children 0-12 with a mother in the labour force, are in paid, unregulated care at \$50/week: 48,500 children x \$50 x 52 weeks	parent fees for unregulated care: \$126.10 million
Assuming staff wages rise to between \$25,000-\$35,000/year	staff wages currently subsidising the system \$20 million¹⁸
Total non-government contributions	\$190.43 million

TABLE 4. ANNUAL PROVINCIAL ALLOCATION FOR EACH CHILD IN REGULATED CARE IN SELECTED JURISDICTIONS, 1998

Canada	Ontario	Saskatchewan	Manitoba	New Brunswick	Nova Scotia	Canadian Range
\$2,029	\$2,815	\$2,210	\$2,205	\$600	\$1,405	\$600 - \$3,645 ¹⁹ⁱ

Source: *Early Childhood Care and Education in Canada: Provinces and Territories 1998*. Childcare Resource and Research Unit. (2000). Note: This information was collected before Quebec had fully implemented its new child care funding. In 2000-2001, Quebec spent approximately \$6,500 per child

A recent report on options for financing child care,²⁰ estimates that the total value of government spending, excluding tax breaks, is about \$1.25 billion, of which half is spent on fee subsidies to low income parents. By contrast, about \$36.4 billion was spent on elementary and secondary education in 1995-96.

¹⁸ using the estimated cost raising wages to between \$25,000 - \$35,000 in the *Parade of Proposal*

¹⁹ⁱ In 1998, Yukon Territory spent \$3,644.87 for each regulated child care space

²⁰ Rose, 2001

Policies, which fund child care as a market commodity, a targeted program for the disadvantaged or a universal early childhood development program, affect the quality of care that children receive. Several program factors impact on the quality of care, which is also related to the way child care centres are funded.

INDICATORS OF QUALITY

The quality of experiences that children have in the first six years of life has a long lasting impact on their development, on their future success at school, and on their overall health and well-being. Good early childhood experiences, including in early childhood development programs such as child care centres, can have far-reaching positive effects.²¹ Participation in quality child care can benefit children and compensate for social disadvantage. A stimulating home environment cannot compensate for poor quality child care.²²

A recent major study, *You Bet I Care! Caring and Learning Environments: Quality in Child Care Centres Across Canada*, found the majority of child care centres in Canada to protect the health and safety of children, but not to encourage their development.²³ Three main indicators of quality were higher wages, the level of early childhood specific training and non-profit auspice. These findings have been supported by numerous other studies and reports.²⁴

Wages

Wages and benefits represent the major spending in any child care centre budget. Turnover is greatly affected by wages. In 1998, the average turnover rate for staff making less than \$8.00/hr was 46%; for staff making between \$8.50-\$10.99/hour was 22.6% and for those making \$11.00/hour or more it was \$16.9%.²⁵ Table 5 shows the average wage in Nova Scotia compared to the Canadian average.

TABLE 5. HOURLY WAGE FOR A TEACHER IN CENTRE-BASED CARE, 1998

	Canadian Average	Nova Scotia	Range Across Provinces
Teacher	\$11.62	\$8.51	\$6.76- \$13.48
Teacher /Director	\$14.52	\$10.21	\$7.89 - \$17.48

Source: *You Bet I Care! A Canada-Wide Study on: Wages, Working Condition, and Practices in Child Care Centres*. Doherty et al. (2000)

Child centre revenues primarily come from parent fees, and from fee subsidies and grants. Government sets subsidies, and fees are limited by parent's ability to pay. The average percent of revenue spent on wages across Canada was 75.3%, with non-profit centres spending an

²¹ McCain & Mustard 1999

²² Doherty, 2001

²³ Goelman et al. 2000

²⁴ see Friesen 1995; Doherty-Derkowski 1995; Lyon & Canning 1995, 1999; Beach et al 1998, for examples

²⁵ Doherty et al. 2000

average of 80% and commercial centres spending an average 66.4%. In Nova Scotia, across all programs, the average was 72.6%.²⁶

You Bet I Care! Caring and Learning Environments: Quality in Child Care Centres Across Canada found essential variables that predict quality. Table 6 shows the average fees and wages in the highest and lowest quality groups on the *Infant/Toddler Environment Rating Scale (ITERS)*.

TABLE 6. COMPARISON OF HIGHEST AND LOWEST QUARTILE GROUPS ON PREDICTOR VARIABLES ON *ITERS* TOTAL QUALITY SCORES, 1998

	Highest quartile	Lowest quartile	Nova Scotia
Monthly fees	\$601.65	\$477.38	\$470.00
Hourly wages	\$12.65	\$10.28	\$8.51

Source: *You Bet I Care! Caring and Learning Environments: Quality in Child Care Centres Across Canada*. Goelman et al. (2000)

Not only are the fees below average in Nova Scotia, they represent a much higher proportion of their total revenue than in a number of other provinces.

TABLE 7. AVERAGE PERCENTAGE OF CENTRE REVENUE FROM PARENT FEES IN SELECTED JURISDICTIONS, 1998

Canada	Ontario	Saskatchewan	Manitoba	New Brunswick	Nova Scotia
49.2%	46.9%	38.3%	33.9%	68.7%	72.7%

Source: *Early Childhood Care and Education in Canada: Provinces and Territories 1998*. Childcare Resource and Research Unit

Training

Well-trained and skilled caregivers are critical to the provision of high quality child care. Training in child development and early childhood education is related to higher quality settings and better child development outcomes in all types of early childhood programs.²⁷

Nova Scotia requires 2/3 of staff in child care centres to have completed an approved training program in Early Childhood Education (ECE), or to be granted equivalency by the Department. At the college level, ECE programs are available at three campuses of the Nova Scotia Community College, at the College de l'Acadie and at two private, non-profit institutions. There is also an undergraduate degree in Child and Youth Care with an optional specialization in ECE, as well as a graduate program at Mount St. Vincent University. The fees at the two private colleges are more than \$3,500/year, considerably higher than the \$1,300 charged through the community college system. The training requirements in the regulations do not distinguish between a one-year certificate, a two-year diploma or a four-year degree. Furthermore, a staff can be granted equivalency with completion of grade 12, two years experience in a licensed child care facility, completion of one course in child development or curriculum development and 25 hours of workshops or other training.

All stakeholders and focus group participants spoke of the difficulty in recruiting and retaining trained staff, due to low wages and the reduced number of students entering the field. Many

²⁶ *ibid.*

²⁷ see Bertand & Beach 1998 for a review of the literature

centres are forced to hire untrained staff and have them gain equivalency over the two-year period. They then become a 'trained' member of the staff. Many key informants identified the equivalency process as a real disincentive to becoming trained.

Graduating from Early Childhood Education programs with a significant debt load for a job that pays an average of \$8.50/hour sees many child care graduates moving into related jobs at a higher rate of pay. All college representatives interviewed indicated that high school guidance counsellors are actively discouraging students from entering the early childhood programs because of the low wages. Enrolment is dropping, and the quality of students who are enrolling is declining.

The lack of recognition for the value of caring for young children, the low wages, few benefits, poor work environments, few opportunities for professional development and career mobility take their toll. The greatest strength in the child care system, that is the commitment and dedication of skilled caregivers who have subsidized the system for years, threatens to end as the next generation chooses other options.

Auspice²⁸ⁱ

Many studies have shown that, overall, quality of care is higher in non-profit than in commercial centres.²⁹ This has been true, regardless of whether or not programs received government funds. *The Atlantic Day Care Study* found that average quality rates, based on the Early Childhood Environmental Ratings Scale (ECERS) were higher in non-profit programs across all of the Atlantic Provinces. At the time of that study, all provinces, except Nova Scotia, treated centres equally in terms of the availability of grants and subsidies.

A study of quality in child care centres in Calgary,³⁰ undertaken at a time when all centres received substantial operating grants, showed that non-profit centres consistently offered higher quality care than commercial centres. Given equal funding, what other factors make a difference in quality? The study concluded that other variables, such as the goals, operational characteristics, and formal decision-making mechanisms all played a role.

The Child Care Management Study found that non-profit centres more likely to have written policies and procedures, such as parent manuals, job descriptions, a formal salary scale, performance appraisals and grievance procedures.³¹ Commercial centres were found to have more centralised decision-making, and less staff input and parental involvement in the program.

Having said that, commercial centres have filled an important need in the provision of care in Nova Scotia. Without involvement of government in the planning of, or providing incentives for the development of non-profit centres, many individuals have committed their own resources to establish programs. As a result, almost 50% of licensed child care spaces in Nova Scotia are commercial, compared to 17% in Ontario, 13% in Manitoba and 14% in Quebec.

²⁸ⁱ Auspice refers to the type of governance of a child care program, that is, whether it is operated by a non-profit board of directors or as a commercial enterprise.

²⁹ Lyon & Canning, 1995; Friesen, 1995; Goelman et al. 2000; Doherty-Derkowski 1995

³⁰ Friesen, 1995

³¹ Lyon and Canning, 1999

Even though the *Atlantic Day Care Study* found the quality of care to be higher in non-profit programs, the general quality of child care in Nova Scotia leaves room for improvement. The *Early Childhood Environmental Rating Scale*, which was used to assess the quality of centres in the study, rates 37 aspects of the centre's environment. A rating of 3 is minimally acceptable, 5 is good, and 7 is excellent. The overall quality across the Nova Scotia child care centres assessed in the study was 4.84.³²

There are also operational issues with some of Nova Scotia's non-profit centres. Some:

- are run by multi-service agencies whose Boards of Directors who have no relationship to the child care program;
- charge higher than average fees and pay lower than average wages; and
- have difficulty recruiting informed, consistent board members, or even holding regular board meetings. Boards may well defer to the director of the centre, who in some cases holds a voting position.

Non-profit centres have to be accountable to their boards, but there is very little accountability to government for the use of public funds. Budgets have to be submitted to the Department of Community Services, but they are not regularly reviewed, grants are paid based on past practice, centres do not have to submit audited statements and program reviews are infrequent. The following comment from a focus group participant illustrates the problem that was noted by several child care directors.

Boards are not always aware of their responsibilities; many do not even have liability insurance. It is very hard to get board members; parents often do not have time as they experience increased demands from their work and family responsibilities. Given the increased stress of parents, it is unrealistic to expect them to have to be responsible for their child's child care program.

Financial Comparison of a Commercial and Non-profit Child Care Centre

To assess the financial impact of the current grant and subsidy programs we completed a financial analysis of 46-space commercial and non-profit centres. The objective was to determine the net financial impact of grants and subsidies available to non-profit centres and business support programs that are available to commercial centres.

We assessed the following types of centres:

- Commercial 1 - owner operated commercial centre that rents building space, has 46 licensed spaces;
- Commercial 2 - owner operated commercial centre that owns its building, has 46 licensed spaces;
- Non-profit 1 - rents building space, all 46 licensed spaces are subsidized;
- Non-profit 2 - rents building space, 75% of 46 licensed spaces are subsidized;
- Non-profit 3 - rents building space, 50% 46 licensed spaces are subsidized;
- Non-profit 3-O - owns its building, 50% of 46 licensed spaces are subsidized; and
- Non-profit 4 - rents building space, 25% of 46 licensed spaces are subsidized.

³² Lyon and Canning, 1995

Exhibit 1 provides a comparison of the impact of the current grant and subsidy programs that relate to child care. The analysis indicates that:

- grant and subsidy programs favour non-profit child care operations;
- reports that wages at non-profit centres are higher than those at commercial centres stem mainly from the subsidies and grants provided to non-profit centres;
- average size commercial operations operate with net incomes so low that they derive no benefit from taxation policies that are designed to assist small businesses;
- owner-operators of average size child care centres stand to earn little in the way of capital gains on the eventually sale of their businesses and building; and therefore
- average size commercial centres generate little or no profit and serve mainly as a source of employment for owner-operators.

Business Valuation - The total value of the business to the owner operator over a 25-year period amounts to:

- the employment provided to the owner by the business; and
- about \$33,400 (present value) at the sale of the business in 25 years.

By any measure, these returns are slim. The capital gain amounts to only \$18.6 thousand (present value).

EXHIBIT 1. FINANCIAL COMPARISON OF COMMERCIAL AND NON-PROFIT CHILD CARE CENTRES

Financial Comparison: Commercial and Non-profit (grant, subsidy and tax rates @ Mar. 90/1)								Bldg. Owner or Holding Co.**
	Commercial 1	Commercial 2	Non-profit 1*	Non-profit 2*	Non-profit 3*	Non-profit 3-O*	Non-profit 4*	
Revenue:								
infants	\$58,701	\$58,701	\$58,701	\$58,701	\$58,701	\$58,701	\$58,701	
toddlers	\$61,988	\$61,988	\$61,988	\$61,988	\$61,988	\$61,988	\$61,988	
pre-school	\$118,341	\$118,341	\$118,341	\$118,341	\$118,341	\$118,341	\$118,341	
infant differential			\$12,236	\$12,236	\$12,236	\$12,236	\$12,236	
salary enhancement grant			\$39,403	\$29,253	\$19,502	\$19,502	\$9,751	
infrastructure grant			\$2,990	\$2,990	\$2,990	\$2,990	\$2,990	
equipment grant			\$5,980	\$4,485	\$2,990	\$2,990	\$1,495	
HST rebate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$999
Total Revenue:	\$239,030	\$239,030	\$299,239	\$287,994	\$276,748	\$276,748	\$265,502	\$35,236
Expenses:								
WAGES	\$157,606.80	\$158,223.55	\$235,143.66	\$226,090.56	\$217,036.95	\$217,036.95	\$207,982.84	
SLT	\$12,136	\$12,222	\$18,109	\$17,409	\$16,712	\$16,712	\$16,015	
owner draw	\$15,761	\$15,972						
owner SLT	\$630	\$635						
supplies and materials	\$7,130	\$7,130	\$10,128	\$8,625	\$7,130	\$7,130	\$5,635	
electric								\$1,881
water								\$581
heat								\$1,981
maint & infra improv	\$1,490	\$1,490	\$1,490	\$1,490	\$1,490	\$1,490	\$1,490	\$2,813
training	\$500	\$500	\$500	\$500	\$500	\$500	\$500	
CCRB fee & ASP fee (pay to building co.)	\$4,237	\$32,929	\$29,929	\$29,929	\$29,929	\$29,929	\$29,929	
insurance	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$650
HST remitted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,269
depreciation	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$6,857
P & I								\$8,543
property tax								\$5,588
business occupancy tax	\$5,588	\$5,588						
Total Expenses	\$239,030	\$239,030	\$299,239	\$287,994	\$276,748	\$276,748	\$265,502	\$32,929
Net Income (@ max. wage)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,316
Gross Rent/eq. ft.	\$12.23	\$11.76	\$10.69	\$10.69	\$10.69	\$10.69	\$10.69	
Max. Wage/hr.	\$8.35	\$8.41	\$11.33	\$10.89	\$10.46	\$10.46	\$10.02	
(max wage/hr. CI max wage/hr.)	1.00	1.01	1.36	1.30	1.25	1.25	1.20	
Net Income @ CI max wage/hr.	\$0	\$1,317	\$67,116	\$57,363	\$47,612	\$47,612	\$37,862	
Gross Margin @ CI max wage/hr.	0.00%	0.04%	28.1%	24.9%	19.9%	19.9%	15.8%	

* Building owner taxed at residential property rate ** Building owner taxed at commercial rate

INTERPRETATION

Max. Wage/hr.

This figure is the maximum average hourly wage that a centre can pay and breakeven. Centres that have 100% of their spaces subsidized (Non-profit 1) can pay wages that are 35% higher than those of a comparable commercial centre (Commercial 1 and 2).

The ability to pay higher wages is primarily influenced by the proportion of spaces that are subsidized. When the percent of subsidised spaces is 50% the non-profit centre (Non-profit 3 and Non-profit3-O) can offer hourly wages 25% above those in comparable commercial centres Commercial 1 and 2 respectively).

Net Income

This line shows the magnitude of the financial advantage available to non-profit centres. For example, if a non-profit centre with 50% of its spaces subsidized (Non-profit 3 and 3-O) paid the maximum wage of a commercial centre (Commercial 1 and 2) it could show a net income (before taxes) of over \$47,000. This net income is available to the centre for wage, building and/or program improvements. The commercial centre has no comparable resources unless it can raise its rates about 22% and hold the line on wage rates.

If one interprets the net income as "profit before corporate income taxes," Non-profit 3 type centres have a gross profit margin of almost 20%. Such a margin is substantial by most measures.

EXAMPLES OF FUNDING DIRECTIONS IN SELECTED JURISDICTIONS

As provincial governments begin to reassess their priorities and funding mechanisms, a number of different funding models for child care are emerging. Each approach comes with its own set of issues and concerns but does move toward the goal of an affordable, quality child care system. For example; Quebec, with its \$5/day child care program has gone the furthest in terms of government involvement and development of a comprehensive system; fundamental change was accomplished within a four-year period. It is the only jurisdiction in Canada that has moved early childhood care and education from a market model of fees and subsidies, to a publicly funded system. It completed the implementation of the process over a four-year period and now continues with planned expansion, with a goal of having 200,000 regulated spaces to serve the approximately 500,000 children 0-5 in Quebec.³³

Families in receipt of social assistance are eligible for care at no cost, for up to 23.5 hours/week, unless they are enrolled in an employability program. Other low-income families, eligible for the Parental Wage Assistance Program, receive \$3/day to help with their child care costs.

In the new early childhood program funding for centres is based on three categories:³⁴

- child care and early childhood education costs, which covers teaching staff and program expenses;
- administrative costs and general expenses; and
- rent:

As of January 1 2001, there were 129,559 regulated spaces in centre-based programs and family child care homes. The budget for 2000/01 is \$845.6 million (about \$6,500/space).

- In 2001, British Columbia introduced *Child Care BC*; a four-year plan to make licensed child care available at a maximum of \$14/day for full-day care and \$7/day for before and after school care. At full implementation, the plan will cost \$400 million per year.
- In 2000, Manitoba created a new funding formula that provides grants to centres based on the required number of staff per group of children. Since implementation, the average wage of a child care teacher has increased more than \$2/hour.
- The premier of Saskatchewan announced in February 2001 that there would be a significant increase in funding to community-based organizations, including child care to raise salary levels.

³³ Overview of new family policy and early childhood program was gathered from the following sources: online websites

www.mfe.gouv.qc.ca/3_politique_familiale/allocution_eng.html;

www.mfe.gouv.qc.ca/3_politique_familiale/services_ang.html

Minist(re de l'education. *La relance au collegial*. January 1997.

Tougas, Jocelyne. What we can learn from the Quebec experience. In *Our Children's Future: Child Care Policy in Canada*; Childcare Resource and Research Unit, 2000. *Early Childhood Care and Education in Canada: Provinces and Territories* 1998.

³⁴ Jocelyne Tougas: personal communication

- In February 2001, the premier of Alberta committed to increase child care funding to address the issue of low wages.

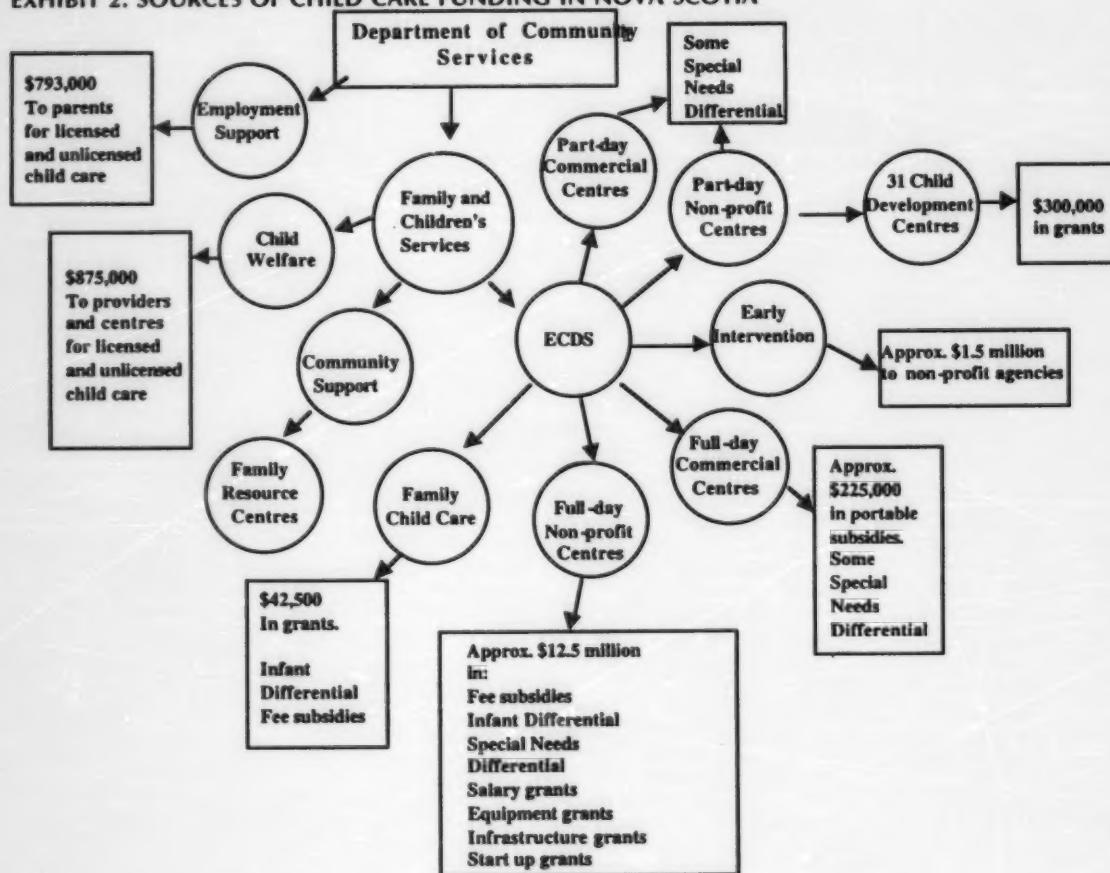
See Appendix 3 for further details of these provinces' funding directions.

III. CHILD CARE FUNDING IN NOVA SCOTIA

The main source of funding for child care is parent fees. The provincial government provides some funding, primarily through fee subsidies and salary enhancement grants. There are also some small grants for equipment and infrastructure, and grants of various amounts to 31 part-day programs with a Child Development Centre designation. With the exception of 95 portable subsidies, Nova Scotia allocates all government funding to non-profit licensed child care. Some government funding also goes to informal child care providers through the Employment Support and Child Welfare programs.

Exhibit 2 shows the various programs in the Department of Community Services that have child care funding attached to them.

EXHIBIT 2. SOURCES OF CHILD CARE FUNDING IN NOVA SCOTIA



As governments become increasingly aware that child care serves multiple purposes and has multiple benefits, they are beginning to change policy direction and funding approaches to recognise that:

- the cost of quality child care cannot and should not be borne by the user alone;
- that a skilled, fairly paid workforce is essential to its provision; and
- the benefits of child care spread well beyond the parent and child.

Nova Scotia has not been a leader in the development of child care policy and until recently has played a reactive role in responding to the need for a quality child care system. An overall policy framework has not guided program development, and there is little rationale to some of the funding methods and allocations to child care programs. Therefore, making recommendations on the funding to a number of the existing programs are beyond the scope of this review. They include:

- family child care;
- child care for children with special needs; and
- part-day programs and in particular, Child Development Centres

Appendix 1 provides details on the various policies and program funding procedures. Further examination of each of these programs is needed before funding can be addressed. The focus of funding changes in the short term is limited to the subsidy and grants programs for full-day centres.

CHILD CARE SUBSIDY

Every province and territory has a child care subsidy program to assist some eligible low-income families, with child care fees. In every province except British Columbia, subsidies are limited to licensed child care programs. In Saskatchewan, subsidies are limited to non-profit centres, which represent more than 99% of the spaces. All other provinces allow subsidies to be used in commercial and non-profit programs.³⁵ⁱ

A limited number of portable subsidies were introduced in Nova Scotia in July 2000. Up to 95 spaces can move with the child to a contracted centre of the parent's choice, including a commercial centre. As of February 2001, 70% of the portable spaces are being utilized in commercial centres. All other subsidies in Nova Scotia are limited to specific non-profit centres.

Provinces have different ways of managing subsidy programs. In British Columbia, child care is entitlement. Anyone who is eligible is guaranteed a subsidy that can be used in any arrangement of the parent's choice, including in the parent's home. A rationale for this approach is that it extends parent choice and helps ensure that a parent is not prevented from working by the lack of available affordable care. This approach does not necessarily take into account the needs of the child, and government is not able to control the expenditure by limiting subsidies to the number of licensed spaces. Between 1993 and 1998 spending on subsidies in British Columbia increased from \$59.7 million to \$123.3 million.

³⁵ⁱ Quebec, which no longer has a subsidy system, still pays for some children to attend commercial centres under contract with the government to "rent" spaces, until they are phased out

British Columbia, Manitoba, Alberta and Quebec (before 2000) and the Yukon do not cap the number of subsidized spaces that can be used in a licensed centre. Potentially any licensed space can be a subsidized space. Prince Edward Island, Saskatchewan and Ontario do not limit the number of spaces, but put a ceiling on the annual subsidy budget. Newfoundland has a ceiling on the annual subsidy budget, but also limits the proportion of subsidized spaces in a centre to 50% (This may go higher with Director approval). New Brunswick allocates spaces based on geography, program, and child-at-risk assessment criteria.³⁶

Nova Scotia is the only province to allocate a fixed number of spaces to a particular child care centre, and to allocate grants based on those subsidies. This has several implications for programs: centres with a high proportion of subsidized spaces receive more grant funding than other centres. This positively influences the centre revenue, most of which is spent staff salaries. Non-profit centres with few subsidized spaces and commercial spaces have to keep their fees at cost recovery, but also in line with centres who are getting additional non-fee-based income.

Since subsidies come with grants, non-profit centres want to secure as many subsidized spaces as possible. If a centre has a vacant subsidized space, a child in another centre may not use that space. It also means that subsidized parents must place their child in a particular centre that happens to have a vacant subsidized space. In some communities parents cannot access their neighbourhood centre and have to travel a considerable distance to a centre with an open subsidized space. Some centres have a high proportion of subsidized spaces, becoming *de facto* targeted programs, which often carry a stigma for the child attending.

The purpose of fee subsidies is to enable lower income families to enter and remain in the paid workforce, and to provide an early child development experience for the child. In Nova Scotia, there are about 2,600 such spaces. Parents are subject to an income test and assessed according to other eligibility criteria. A subsidy caseworker usually conducts an interview with the parent at the child care centre that the child will be attending to determine eligibility, and to assess the fee that the parent will pay according to established income guidelines. Parents in Nova Scotia have to pay a minimum user fee of \$2.25/day/family. Most child care centres have an additional surcharge that is added to that minimum fee. There are not accurate data on the average surcharge across programs, but some are as high as \$8.30/day for an infant space. Even a \$3/day surcharge brings the monthly fee for a subsidized parent with two children, and with a net annual income of \$18,000, to approximately \$225.

In 1998, 44% of child care centres in Nova Scotia had no subsidized spaces (compared to 7% across Canada). Other than Newfoundland at 12.5%, no other jurisdiction had more than 10% of centres without subsidized children.

Alberta, Saskatchewan and Nova Scotia are the only jurisdictions that have a minimum user fee and allow centres to charge subsidized parents a surcharge. The allowance brings the combined revenue from a subsidized parent and government to the same as that of a full fee parent.

Table 8 shows a comparison of provincial/territorial subsidy rates by age

TABLE 8. PROVINCIAL SUBSIDY RATES BY AGE OF CHILD, 1998						
Jurisdiction	Infant	Toddler	Pre-school	School Age	Minimum user fee	Who can access
Newfoundland	Individually negotiated	Individually negotiated	Individually negotiated	Individually negotiated	No; may not surcharge	Commercial and non-profit (39% of centres non-profit)
Prince Edward Island	\$24	\$20	\$19	\$19	No; may surcharge	Commercial and non-profit (58% non-profit)
Nova Scotia	\$14.95	\$14.95	\$14.95	\$14.95	\$2.25/family; may surcharge	Non-profit only (57% non-profit)
New Brunswick	\$18.50	\$18.50	\$16.50	\$9.25	No; may surcharge	Commercial and non-profit (info N/A)
Quebec ³⁷	Max. fee is \$5/day regardless of income; no fee for certain low income families					(86% non-profit)
Ontario	Individually negotiated	Individually negotiated	Individually negotiated	Individually negotiated	Depends on municipality	Commercial and non-profit (83% non-profit)
Manitoba ³⁸	\$25.60	\$25.60	\$16.40	\$12.00	\$2.40/child; may not surcharge	Commercial and non-profit only (87% non-profit)
Saskatchewan	\$16.25	\$14.25	\$11.75	\$10 ³⁹	10% of the actual cost; may surcharge	Non-profit only (99% non-profit)
Alberta	\$22.62	\$18.00	\$18.00	\$18.00	\$40/family/month; may surcharge	Commercial and non-profit (41% non-profit)
British Columbia	\$27.86	\$25.15	\$17.52	\$8.24	No; may surcharge	Commercial, non-profit, unregulated (60% non-profit)
NWT/Nunavut	Individually negotiated	Individually negotiated	Individually negotiated	Individually negotiated	No; may surcharge	Commercial, non-profit, unregulated (97% non-profit)
Yukon	\$23.81	\$23.81	\$21.43	\$10.71	No; may surcharge	Commercial, non-profit (74% non-profit)

Source: Childcare Resource and Research Unit (2000) *Early Childhood Care and Education in Canada: Provinces and Territories 1998*. Where the rate was provided on a monthly basis the daily rate was estimated based on 21 days in a month.

Eligibility requirements for subsidy vary across the provinces, in terms of income level, employment status and other socio-economic factors. Table 9 shows the income levels at which full and partial subsidy end in selected provinces.

³⁷ funding is to non-profit centres, but government is "renting" spaces from commercial centres until there has been sufficient expansion

³⁸ programs that offer extended hour care, may receive 1 _ times the regular rate

³⁹ increases to \$11.75 in the summer months

TABLE 9: SUBSIDY ELIGIBILITY LEVELS IN SELECTED JURISDICTIONS

	Nova Scotia		PEI		Alberta		Manitoba	
	Turning Point ⁱ	Break Even Point ⁱⁱ	Turning Point	Break Even Point	Turning Point	Break Even Point	Turning Point	Break Even Point
1 parent, 1 child	\$16,812	\$25,540	\$20,520	\$30,720	\$13,440	\$25,440	\$13,787	\$24,369
2 parents, 2 children	\$17,712	\$34,092	\$24,720	\$45,720	\$19,200	\$40,800	\$18,895	\$40,059
Low income cut-offs (based on average family size)	\$21,519 3 person household		\$23,772 4 person household		\$25,095 3 person household		\$29,524 4 person household	

Source: *Early Childhood Care and Education in Canada: Provinces and Territories 1998*. Child Care Resource and Research Unit (2000)

The strengths of Nova Scotia's subsidy system are that:

- 2,600 low income-children have access to a licensed care space;
- a number of low income parents are able to study or work because of their child care fee subsidy;
- centres with subsidized spaces have a guaranteed source of revenue;
- almost all non-profit centres have at least some subsidized spaces; and
- the first portable spaces were successfully implemented.

Issues with the subsidy system include:

- Low rates result in centres having to surcharge low-income parents, while at the same time keeping fees as low as possible so that subsidized parents can afford to use them.
- The low subsidy rates affect the ability of the centres to pay reasonable wages.
- Many modest income families are not eligible for subsidy yet cannot afford the full fee.
- The flat rate of \$14.95 means that school age programs generate more income per staff than a toddler or pre-school program.
- The "locked in" allocation of subsidized spaces to individual centres results in vacancies in some centres and waiting lists for others.
- Subsidized parents have limited choice of which centre they can use.
- Some centres are fully or almost fully subsidized, resulting in targeted programs and no incentive to enrol full-fee children.
- Parents may not use a regular subsidy in a commercial program, even if it is the only one in the community. As of February 2001, approximately 66 portable subsidies were available in commercial centres across the province.
- Parents may not use a subsidy in a part-day program, even if it meets their needs for work or study purposes.

- For the most part, subsidies are provided only for parents who are working or studying; they do not help children gain access to a part-day program for early childhood development purposes.
- The subsidy application process is labour intensive and may stigmatise families.
- The claims process is administratively cumbersome and labour intensive.
- Subsidy information is accessed manually from 3,000 index cards which are updated monthly; and
- An average of 11% of subsidized spaces went unused in 2000, due to vacancies in some centres.

The strengths of portable subsidies are that:

- parents have a greater choice of child care centres;
- spaces are not fixed to particular centres, so that waiting lists are less likely;
- centres with portable subsidies are more likely to have a greater socio-economic mix of children and families than centres that have a high proportion of subsidized spaces, thus reducing stigmatisation and targeting;
- parents in an Employment Support (ESS) program are more likely to be able use licensed care (In the past, if the parent was unable to get a subsidy in a non-profit centre, the child care allowance of \$200/month received through ESS would not cover the full cost of care in a commercial centre. The parent would probably have to "choose" an unlicensed, cheaper arrangement.)

Issues with the portable subsidies include:

- There is now a two-tiered payment system- a regular subsidy generates \$18.95/space with the attached grants; a portable spaces generates \$14.95/space.
- Under the current system, the portable spaces are even more labour intensive to manage than the regular subsidies. Subsidy caseworkers are responsible for the tracking of spaces, rather than the centre
- Many of the same issues with regular subsidies apply to portable subsidies.

Changing the Subsidy Rates

Nova Scotia is the only province to have the same subsidy rate across all age groups (See Table 8). Even with the infant differential payment of \$4.69/space, the infant rates are well below the national average. Having a flat rate subsidy means that school age programs generate proportionately more net revenue, because they operate for fewer hours/day most of the year, and require fewer staff than programs for younger children.

Nova Scotia's current subsidy rates plus the minimum user fee (for a total of \$17.20/day), generate the following income per full-time staff person at the required child:staff ratio:

- | | |
|--|----------|
| • for a group of 4 infants: | \$17,888 |
| • for a group of 6 toddlers: | \$26,832 |
| • for a group of 8 pre-schoolers: | \$35,776 |
| • for a group of 15 school age children: | \$67,080 |

Nova Scotia's total subsidy budget in 2000 was:

• total regular subsidy expenditure	\$8,562,514
• 269 spaces unused x \$14.95 x 260 days	\$1,045,603
• the approximate cost of portable spaces \$14.95 x 95 x 260	\$369,265
• Total available subsidy budget	\$9,977,382

We propose that Nova Scotia increase subsidy rates to better reflect the cost of care, and yet be in keeping with current average fees charged in child care centres. This will increase affordability for subsidized parents and, at the same time, ensure that affordability for middle income families does not become any greater a problem than it already is. There are not comprehensive data on fees in all child care centres in the province, but there is information on fees charged in all subsidized centres in Metro, and in all centres across the province that receive portable subsidies. After reviewing those fees, we suggest that the following rate increases are a reasonable first step.

<i>Proposed subsidy rate (including the \$2.25 user fee).</i>	<i>Change on current rate</i>
Infants: \$24/day	+ \$6.80/day
Toddlers: \$22/day	+ \$4.80/day
Pre-schoolers: \$19/day	+ \$1.80/day
School Age: \$17.20/day	

The cost of proposed changes to the subsidy rates:

If the proposed per diems and the current percent of subsidized spaces⁴⁰ⁱ were applied equally across age groups, the cost to maintain the existing number of subsidies would be:

• Infants:	\$798,720
• Toddlers:	\$823,680
• 3-5 yr. olds:	\$9,026,368
• School age:	\$1,717,248
Sub total	\$12,366,016
• Less minimum user fee ⁴¹ⁱⁱ	(\$1,066,455)
(\$2.25/family x 260 days x 1,823 subsidized families)	
Total	\$11,299,561
Cost of rate change on current subsidized spaces:	\$1,322,179

CHILD CARE GRANTS

Grants to non-profit centres were originally attached to subsidized spaces to maximise the cost sharing under CAP. Beginning in 1991, when the salary grant was introduced, centre directors could also administer a CAP-based income test to non-subsidized parents deemed to be "likely in need," and receive salary grants on their behalf. The CAP guidelines were considerably more generous than the subsidy guidelines and, as a result, salary grants were paid on approximately 500 spaces that were not subsidized. This income testing stopped in the mid-90s but individual

⁴⁰ⁱ Data are not available on the age-breakdown of children being subsidized. A subsidy rate of 32% across full-day spaces has been applied. This is mid-way between the actual utilisation of subsidized spaces 30% (approximately 2,330 of 7,760 licensed spaces) and the approved allocation of 33.5% (approximately 2,600)

⁴¹ⁱⁱ assuming 30% of families have more than one child receiving subsidy and are paying the minimum fee for only one child

centres retain a fixed number of "approved" spaces upon which they continue to receive salary enhancement grants.

The salary grant is paid at \$3.25/day/allocated subsidized and/or approved spaces. The ability of a centre to raise staff wages with the grant depends upon the number of subsidized spaces and the age group of the children being served. Like subsidy revenue, the older the age group, the more revenue generated per staff.

A small equipment grant of \$.50/day/allocated subsidized space was also introduced in 1991, and a \$.25/day/licensed non-profit space infrastructure grant in 1998, as part of the new Healthy Child Development Initiative funding. There is no funding formula to allocate the amount of grants received by the 31 Child Development Centres.

Strengths of the grant programs are that:

- all non-profit centres benefit from some grant funding;
- centres that receive grants are able to raise wages without the cost being passed directly to the parent; and
- centres that receive grants have a guaranteed source of revenue.

Issues with the grant programs include the following:

- Grants (except for a small infrastructure grant) are paid on the basis of subsidized, not licensed, spaces, (not children); the greater the number of subsidized spaces, the greater the grant
- Grants are paid on behalf of subsidized spaces that may remain vacant for an extended period, leaving needs un-met in other centres.
- Salary grants are calculated on a per space basis. Centres with school age children generate more revenue per staff than toddler/pre-school programs.
- Salary enhancement, infrastructure and equipment grants are claimed separately, making administration cumbersome and time-consuming
- There are no capital and virtually no start up grants, limiting the development of new centres
- The level of funding to Child Development Centres is not consistent across centres, and the amounts have not increased for a number of years. The fees charged in CDCs may be beyond the reach of the low income population they were originally intended to serve

Problems with the Existing Allocation of Grants

The following examples illustrate:

- how the existing funding structure benefits child care centres with subsidized spaces; and
- that revenue generated from enrolling school age children is greater in proportion to the cost of service than it is infant or pre-school care:

The two examples that follow illustrate that:

- centres with school age children generate proportionately more revenue; and
- even when charging higher rates than the non-profit centres, commercial centres do not generate adequate revenue to pay similar wages.

Example One:

Table 10 shows the revenue generated by three centres licensed for the same number of children, and age composition, and with the same level of staffing. The centres in Example 1 are each licensed for 86 children, with the following distribution of ages and staffing.

Toddler and pre-school:	56 spaces, including 4 with special needs,	8 staff
School age:	30 spaces	2 staff
Administrative support/cook		2 fte
Part-time/casual/special need support		3 fte
Total fte staff		15

Enrolment in each centre averages 90% capacity and fees are common across age categories. In keeping with the common surcharges and fee differences, the non-profit centres charge \$19.45/day; the commercial centre charges \$21/day.

TABLE 10. EXAMPLE 1: CENTRE REVENUE AND WAGES

	Centre 1 Non-profit, 86 subsidized spaces	Centre 2 Non-profit, 43 subsidized spaces	Centre 3 Commercial No subsidized spaces
Fees: 86 spaces x \$19.45 x 260 days x .9 occupancy	\$391,412	\$391,412	
Fees: 86 spaces x \$21 x 260 days x .9 occupancy			\$422,604
Special needs differential 4 spaces x \$28 x 260 days	\$29,120	\$29,120	\$29,120
Salary enhancement \$3.25 x 260 days	86 spaces: \$72,670	43 spaces: \$36,335	N/A
Equipment/infrastructure grant \$.50/subsidized space, \$.25/licensed space x 260 days	86 spaces: \$16,770	43 spaces @ \$.50, 86@ \$.25 \$11,180	N/A
Total revenue	\$509,972	\$468,047	\$451,724
Assume 80% of revenue on wages and benefits	\$407,978	\$ 374,437	\$361,379
Average annual fte wages and benefits	\$27,198 (\$14.88/hour)	\$24,962 (\$13.66/hour)	\$24,092 (\$13.18)
Assume 75% of revenue on wages and benefits	\$382,479	\$ 351,035	\$338,793
Average annual fte wages and benefits	\$25,499 (\$13.96/hour)	\$23,402 (\$12.80 hour)	\$22,586 (\$12.36/hour)

Note: hourly rates are based on 7 paid hours/day

Example Two

Table 11 shows the revenue generated by two centres licensed for 46 children, with the following distribution of ages, staffing and daily rates.

Infants: 10 staff: 3 fee: non profit \$24.00; commercial \$25
 Toddlers: 12 staff: 2 fee: non profit \$21.00; commercial \$22
 Pre-schoolers: 24 staff: 3 fee: non profit \$20.00; commercial \$21
 1 admin/1 cook/1 fte to cover shifts and casual needs: 3fte
 Total fte staff 11

TABLE 11. EXAMPLE 2: CENTRE REVENUE AND WAGES

Centre 1 – non-profit; 23 subsidized spaces		Centre 2 – commercial; no subsidized spaces	
Revenue		Revenue	
10 spaces x \$24 x 260 days x .90 occupancy	\$56,160	10 spaces x \$25 x 260 days x .90 occupancy	\$58,500
12 spaces x \$21 x 260 days x .90 occupancy	\$58,968	12 spaces x \$22 x 260 days x .90 occupancy	\$61,776
24 spaces x \$20 x 260 days x .90 occupancy	\$112,320	24 spaces x \$21 x 260 days x .90 occupancy	\$117,936
Infant differential: 10 spaces x \$4.69 x 260 days	\$12,194		
Salary enhancement: 23 allocated subsidies x \$ 3.25 x 260 days	\$19,435		
Equipment/infrastructure: 23 subsidies x \$.50 + \$.25 spaces x 260 days	\$5,980		
total revenue	\$265,057	total revenue	\$238,212
Assume 80% of revenue on wages and benefits:	\$212,046	Assume 80% of revenue on wages and benefits:	\$190,570
Average annual fte wages and benefits	\$19,276 \$10.55/hr	Average annual fte wages and benefits	\$17,324 \$9.48/hr
Assume 75% of revenue on wages and benefits	\$198,793	Assume 75% of revenue on wages and benefits	\$178,659
Average annual fte wages and benefits	\$18,072 \$9.89/hr	Average annual fte wages and benefits	\$16,242 \$8.89/hr

In the current funding approach, a fully subsidized centre averages just over \$1,000/year/space in various grants, of which \$845 is in salary enhancement. That means a group of:

- 15 subsidized school age children, who require one staff, generate \$12,675/fte in salary grants; and
- 8 subsidized pre-schoolers, who require one staff, generate \$6,760/fte in salary grants.

A PROPOSED NEW FUNDING APPROACH

A task of this review is to develop an effective and efficient funding program for child care. In proposing any funding changes, the limited resources available for child care must be taken into account. The proposed approach that follows is considerably more modest in scope than the most recent proposal made to the Department in the *Parade of Promises*,⁴²ⁱ but follows the spirit of basing grants on the child:staff ratio, rather than on numbers of children. Raising wages is essential to the future of the child care system, and therefore the proposed approach directs specific wage dollars to staff rather than providing funds on a per child basis.

This proposed new funding approach would:

- separate child care fee subsidies from grants to centres;
- vary the subsidy rate according to the age of the child; and
- provide operating funds that
- contain an allocation for staff salaries in all eligible child care centres, based on the:
 - staffing requirements for a specific age group of children
 - the number of hours a centre is open in a day
 - the number of days a centre is open in a year
 - average centre enrolment
- contain an allocation for program expenditures to eligible non-profit centres, based on the average number of enrolled spaces
- require all centres receiving funds to meet certain conditions.

This funding approach would have the following beneficial effects. It would:

- reduce incentives for centres to enrol subsidized rather than full-fee parents;
- make licensed child care more affordable to low income parents by reducing the surcharge that subsidized parents have to pay;
- clearly allocate funds to staff salaries;
- provide centres with the ability to raise wages more equitably across all staff positions;
- reflect the hours of operation of centres, and
- make it more feasible in the future for centres to add infant and toddler spaces.

Proposed eligibility conditions for grants

To stabilize child care centres, move towards the long-term goals and improve equity in the child care system conditions for receipt of grants would focus on quality and accountability and be applicable to non-profit and commercial programs alike. All centres receiving grants,

⁴²ⁱ In May 2000, stakeholders of the child care sector, through a consultation process, developed a proposed funding model based on the required number of staff per group of children in licensed child care. The *Parade of Promises Proposal* put forward by Child Care Connections in December 2000, presents a unit funding plan that would raise average salaries from \$17,391/year to \$25,000-\$35,000 and equitably allocate funds. This method of "unit funding" is similar to the approach recently implemented in Manitoba. But in Manitoba, centres receiving grants cannot charge parents more than a fee established by the government. The total cost in Nova Scotia of raising the wages to the level proposed in *Parade of Promises* is \$70 million, \$20 million more than is currently spent through parent fees, and government subsidies and grants.

regardless of auspice would be required to meet eligibility conditions. ECDS could require centres to:

- submit a standard budget that would indicate individual salary levels, before and after the funding;
- provide an audited annual statement and other financial information required by the Department;
- agree to put an agreed to minimum percent of the funds into staff wages and benefits (e.g. 80%);
- establish formal wage scales for staff, that reflect education, training and years of service;
- not allocate funds to "profit," or to owners who do not work in the child care centre;
- not allocate funds to administrative staff (such as in a multi-service agency) who do not work in the child care centre;
- accept subsidized children if there is a demand and spaces are available;
- institute a parent advisory committee;
- not be in consistent violation of any major licensing requirements;
- agree to provide in-service training opportunities and professional development to staff; and
- hire staff in accordance with labour standards legislation for a fixed minimum number of hours per week.

Funding would be limited to centres that are in operation as of January 1, 2001 and based on the current licensed capacity. Future funding would be available to only new non-profit centres and existing commercial centres would be encouraged to convert to non-profit, via financial inducements (e.g. purchase of the business by a non-profit organization, etc.).

The estimated number of full-day spaces is 7,761. Salary enhancement grants are attached to the approximately 2,500 subsidized spaces. The \$2.45 million salary enhancement budget results in approximately \$845 in salary grants for each of these spaces. This means that a fully subsidized centre for 46 children would receive \$38,879 in salary grants that would not be available to a centre with no subsidies. To provide a similar level of salary funding to the existing un-funded spaces the cost would be \$845 x 5,260 or an additional \$4.45 million. As noted above, the current approach attaching grants to spaces, disproportionately benefits school age programs. We therefore propose to base salary funds on the required number of staff for each group. Using pre-school spaces as the current basis for comparison, the current approach would generate 845 x 8 subsidized children, or approximately \$6,760 per full time staff.

An equitable allocation to each staff position will help set comparable wage rates, regardless of which age group they work with, the required child:staff ratio or the centre's hours of operation. One "unit" would be based on the staffing requirement for a group of eight pre-schoolers. That means that the staffing requirements for a similar group of infants would be two units, for toddlers 1.6 units and for school age children 0.53 units. Individual centre staffing requirements would be based on average enrolment rather than licensed capacity. A vacancy rate of up to 10% would be allowed before reductions in funding.

We propose a grant program, allocated to wages and benefits according to the capacity of the Department budget. The approach, the calculations of which are detailed in Appendix 4, replaces the current salary grant of \$3.25/day/approved subsidized space, with a grant of \$6,

250/year/fte required staff position. Centre grants would be distributed on a pro-rated basis to all staff, including administrative and support staff not included in the ratios and additional positions that cover vacation, sick days, and supplement staff shifts. Given the current limitations on public resources, in the short-term grants should be limited to eligible full-day programs because they are more likely than part-day programs to meet the dual objectives of supporting parental labour force participation and child development.

The following estimates use Department figures of 7,761 full-day licensed child care spaces, with an estimated age-breakdown of 400 infants, 460 toddlers, 5,701 full-day pre-school and 1,200 school age children.

Summary of total and incremental costs of proposed funding changes to salary grants:

Infants	spaces – 100 fte staff @ \$6,250/fte staff	\$625,000
Toddler spaces – 77 fte staff	@ \$6,250/fte staff	\$481,250
Pre-school spaces – 714 fte staff	@ \$6,250/fte staff	\$4,462,500
School age spaces – 80 fte staff	@ \$6,250/fte staff	\$500,000
Estimated Total of Salary Grants		\$6,068,750
Current salary grants		\$2,455,194
Increase in Salary Grants		\$3,613,556⁴³ⁱ

Proposed increase in program grants

Non-profit centres receive \$.50/day per allocated subsidized space in equipment grants and \$.25/day per licensed space in infrastructure grants. There are few conditions attached to these grants. Expenditures are not monitored and impacts are not assessed. Providing a consolidated program grant with clear guidelines to non-profit centres that meet the same eligibility conditions proposed for salary grants will provide centres with a better capacity to respond to their changing operational needs. Allowable expenditures for the grant could include staff training and professional development. At a \$1/licensed non-profit space/day, and an estimated 4,500 non-profit spaces, this grant would cost:

4,500 spaces x \$1/day x 260 days	\$1,170,000
current equipment/infrastructure grants	\$509,398
annualized increase in consolidated program grant	\$660,602

Table 12 illustrates the different levels of revenue per group of children, under existing and proposed funding mechanisms. The proposed funding approach does not eliminate the revenue discrepancies across age groups, but it reduces them, and, with the exception of school-age spaces, it generates more revenue than programs that are 100% subsidized under the existing funding mechanisms.

⁴³ⁱ The assumption is that this amount is a full-year maximum at 100% participation, even though several centres operate fewer hours and close for the summer. As a result, dollars have not been separately allocated for additional administrative support and part-time staff, but can presumably be covered within this budget. It is proposed that owner/operators and administrative directors who do not work directly in the program not receive salary funding.

TABLE 12. COMPARISON OF REVENUE GENERATED WITH EXISTING, AND PROPOSED FUNDING					
	Existing funding				Proposed funding ⁴⁴ⁱ
	100% subsidized	50% subsidized	25% subsidized	Commercial	All eligible centres
Group of 4 infants					
Fees @ \$24/day ⁴⁵ⁱⁱ	\$24,960	\$24,960	\$24,960	\$24,960	\$24,960
Infant differential					existing non-profit \$4,878
Salary enhancement	\$3,380	\$1,690	\$845	\$0	\$6,250
Equipment grant	\$520	\$260	\$130	\$0	non-profit \$1,040
Infrastructure	\$260	\$260	\$260	\$0	
Total funding	\$29,120	\$27,170	\$26,195	\$24,960	non-profit \$37,128 commercial \$31,210
Group of 6 toddlers:					
Fees @ \$22/day	\$34,320	\$34,320	\$34,320	\$34,320	\$34,320
Salary enhancement	\$5,070	\$2,535	\$1,268	\$0	\$6,250
Equipment grant	\$780	\$390	\$195	\$0	non-profit \$1,560
Infrastructure	\$390	\$390	\$390	\$0	
Total funding	\$40,560	\$37,635	\$36,173	\$34,320	non-profit \$42,130 commercial \$40,570
Group of 8 3-5 yr. olds					
Fees @ \$19/day	\$39,520	\$39,520	\$39,520	\$39,520	\$39,520
Salary enhancement	\$6,760	\$3,380	\$1,690	\$0	\$6,250
Equipment grant	\$1,040	\$520	\$260	\$0	non-profit \$2,080
Infrastructure	\$520	\$520	\$520	\$0	
Total funding	\$47,840	\$43,940	\$41,990	\$39,520	non-profit \$47,850 commercial \$45,770
Group of 15 school age					
Fees @ \$17.20/day	\$67,080	\$67,080	\$67,080	\$67,080	\$67,080
Salary enhancement	\$12,675	\$6,338	\$3,169	\$0	\$6,250
Equipment grant	\$1,950	\$975	\$488	\$0	non-profit \$3,900
Infrastructure	\$975	\$975	\$975	\$0	
Total funding	\$82,680	\$75,368	\$71,712	\$67,080	non-profit \$77,230 commercial \$73,330

Example 1 under proposed funding guidelines

Table 13 describes an 86-space centre with the proposed funding. The same age groups and staffing apply as the centres in Table 10. In this scenario, fees: are set at the proposed new subsidy rates, with no surcharge: toddlers @ \$22/day; pre-schoolers @ \$19/day; school-age @ \$17.20/day

⁴⁴ⁱ The infant differential and program grants are limited to the non-profit sector. As a result, there remain some small differences in the funding between the non-profit and commercial centres

⁴⁵ⁱⁱ includes infant differential in non-profit centres in existing funding structure

TABLE 13. REVENUE AND WAGES FOR 86-SPACE CENTRE FOR CHILDREN 18 MONTHS-12 YEARS, WITH PROPOSED FUNDING	
Centre of 86 children 18 months - 12 years	86 space child care centre
Fees: 24 toddlers @ \$22 x 260 days x .9 occupancy	\$123,552
Fees: 32 pre-schoolers @ \$19 x 260 days x .9 occupancy	\$142,272
Fees: 30 school age @ \$17.20 x 260 days x .9 occupancy	\$120,744
Special needs differential 4 spaces x \$28 x 260 days	\$29,120
Salary grant: 10 staff x \$6,250	\$62,500
Program grant \$1 /licensed space x 260 days	\$22,360 (to non-profit centres)
Total revenue	\$500,548 (non-profit) \$478,188 (commercial)
Assume 80% of revenue on wages and benefits	\$400,438 / \$382,550
Average annual fte wages and benefits	\$26,696 (\$14.61/hr) non-profit \$25,503 (\$13.96/hr) commercial

Under the proposed funding, without any surcharge to subsidized parents, average wages would be within \$500/year of a fully subsidized centre under the current arrangement, and \$1,734 and \$1,411 higher than the 50% subsidized and commercial centre respectively. In addition, there would be no surcharge for subsidized parents, and full-fee parents would pay less for preschool and school age care.

Because it is unlikely that government would reduce the current subsidy rates for school age children, or centres the school age fees, school age spaces will continue to generate proportionately more revenue than infant and toddler spaces. As can be seen in the table below, the 46-space centre (Example 2, previously described in Table 11) will still result in wages lower than those in centre with a considerable number of school age children. The annual fte wages/benefits are \$2,454 higher in the non-profit and \$4,406 in the commercial than under current funding arrangements.

TABLE 14. REVENUE AND WAGES FOR 46-SPACE CENTRE FOR CHILDREN 0-6 WITH PROPOSED FUNDING

Centre for 46 children 0-6	Revenue
10 spaces x \$24 x 260 days x .90 occupancy	\$56,160
12 spaces x \$22 x 260 days x .90 occupancy	\$61,776
24 spaces x \$19 x 260 days x .90 occupancy	\$106,704
Infant differential	\$12,194 (non-profit)
Salary enhancement: \$6,250 x 8 staff	\$50,000
Program grant: \$1 x 46 spaces x 260 days	\$11,960 (non-profit)
Total revenue	\$298,794 (non-profit) \$274,640 (commercial)
Assume 80% of revenue on wages and benefits:	\$239,035/ \$219,712
Average annual fte wages and benefits	\$21,730 (\$11.89/hr) non-profit \$19,974 (10.93) commercial

Note: a \$1/day surcharge on fees would generate an additional \$11,960 in revenue, resulting in average annual fte wages/benefits of \$22,600, or an hourly wage/benefit of \$12.37 in a non-profit centre and \$20,843, or \$11.40/hourly wage/benefit in a commercial centre

IV. CONCLUSIONS AND RECOMENDATIONS

Average working families cannot afford to pay the full cost of quality child care. Caregivers will no longer help pay for the system through their low wages. The supply of quality, licensed child care is in short supply and is not increasing; many children are spending their days in care questionable arrangements. A market-driven, fee-for-service child care system, developed in an ad hoc, piecemeal manner cannot meet the needs of children or families, nor can it achieve government's corporate objectives.

A comprehensive, quality system, available to all children at a reasonable cost will not be built overnight. The social union has provided an opportunity to move forward through the National Children's Agenda and the Early Childhood Development Agreement. It will not fund a system, but will enable Nova Scotia to take some first steps. Given those limited resources, what follows are proposed measures to stabilize and build on the services that currently exist.

CHALLENGES TO MOVING FORWARD IN NOVA SCOTIA

There is no service planning; child care programs have developed in an ad hoc manner resulting in uneven distribution around the province. In many communities parents have few or no choices; subsidized parents are further limited to specific programs.

Existing program data are very limited. Information on centre enrolment, age breakdown of children served, staff wages, parent fees, centre program and occupancy costs, is spotty at best. More data collection and analysis will be necessary to be able to determine whether funding changes have achieved their objectives.

Funding for child care programs in Nova Scotia has been piecemeal in approach, resulting in different eligibility criteria and policies governing similar services. Older non-profit programs have most of the subsidized spaces; to which salary and equipment grants are tied. A few

centres are almost fully funded by government, except for any surcharges to subsidized parents and any in-kind supports they may receive, such as free or reduced occupancy costs.

The cost estimates for new funding approaches are approximate due to the lack of good data. They do not take into account fundraising or other sources of a child care centre income besides government grants, subsidies and parent fees. Part-time fees and variations in enrolment may affect centre incomes; discounts for siblings or fee relief during absences; the range of occupancy costs and subsidies/in-kind services; or any possible tax breaks.

The limited resources available through the Early Childhood Development Agreement make it impossible to equitably distribute funds through grants and subsidies without disadvantaging some centres that now have a disproportionate allocation of public funds. Government will have to decide whether to continue to provide disproportionate resources to those particular child care centres.

There will be additional costs if the Department implements the recommendations and proposed formulae. The following tables describe the costs.

TABLE 15. COSTS OF PROPOSED FUNDING MEASURES

Item	Annual costs at Full Implementation
Salary grants	\$3.6 million
Program grants to non-profit centres	\$.7 million
Changes to subsidy rates	\$1.3 million
Increased subsidies	\$1 million
New program spending	\$6.6 million

Note: the number of available subsidies, not the actual spending in 2000/01 was used to calculate the increased cost with the proposed change in subsidy rates. An average of 269 spaces remained vacant over the year. Therefore, approximately \$1.045 million of the subsidy budget was unspent.

Given the government policy objectives of increased self-sufficiency, for healthy child development, and the findings of this review, Nova Scotia will need to make fundamental changes in the way it funds, develops and manages its child care system. By setting the following goals, objectives and measures Nova Scotia will begin that process.

SHORT-TERM OBJECTIVES, MEASURES AND RECOMMENDATIONS

It is premature for Nova Scotia to consider the best way to invest in child care, the best mechanism to make child care more affordable, or the best practice for enhancing the child care infrastructure. The single most pressing concern is to stabilize existing child care programs, and to do that; it is essential to raise staff salaries. The problems child care directors face in the recruitment and retention of trained staff threaten to continue the erosion of the generally mediocre quality in child care centres. This problem is exacerbated by the absence of a documented vision and strategic plan for child care in Nova Scotia that describes what the "best" child care system for Nova Scotia would look like.

The short-term objectives of the proposed funding changes are to:

- improve wages and benefits of the child care workforce;
- reduce turnover among child care staff;
- develop conditions and accountability measures for centres receiving public funds;
- distribute those public funds more equitably among child care programs, in a rational and consistent manner;
- increase accountability by government and by the child care programs for the public investment in child care;
- provide subsidized parents with the same access to regulated child care options in their communities as full-fee parents; and
- ensure that Early Childhood Development Services has adequate staff resources to effectively develop, implement, administer and monitor the proposed changes.

Work towards many of the short-term objectives can be started by re-allocating existing child care funding and with the forthcoming funding from the federal/provincial/territorial agreement on child care. There are ten recommendations to address the short-term objectives, the first six of which are focussed on enabling centres to improve wages and benefits and on increased program stability.

RECOMMENDATION 1:

Separate grant funding from child care subsidies.

Rationale:

Fee subsidies are intended to assist low-income parents with their child care fees. Grants are intended to support the ongoing operation of the child centre and help make child care more affordable for full-fee parents. The present funding mechanism allocates the majority of grant funding to centres with subsidized spaces. The Department allocates fixed numbers of subsidized spaces to specific centres (except for the 95 portable spaces). Centres with the highest proportion of subsidized spaces receive the largest grants. Therefore, they are in a better position to pay better wages and keep full fees more reasonable than centres with few subsidies (and less grant revenue). In Nova Scotia, subsidies have become a form of operating funding for centres (therefore, those who have subsidized spaces resist change, as it is a form of guaranteed revenue)

There is little incentive for centres to keep subsidized spaces filled, as they still receive grants on those spaces, even when they remain vacant. Centres with waiting lists for subsidized children (and vacancies in full-fee spaces) are unable to access unused subsidies from another centre. If grants were not dependent on subsidies, there would be no disincentive to enrolling full-fee children, and over time, centres may aim for a greater socio-economic mix among the families they serve.

RECOMMENDATION 2:

Provide salary grants to all existing full-day centres that wish to apply for them, and that meet the eligibility criteria established by Early Childhood Development Services.

Rationale:

Wages are a key predictor of quality. The average wage in child care Nova Scotia is \$3/hour below the Canadian average, and more than \$4/hour below the average wage in centres rated in the highest quartile on *ITERS* quality scores (see Table 6). The ability of centres to pay higher wages are based on parents' ability to pay fees, the subsidy rates paid on behalf of low-income parents, and function-specific and overall operating grants.

The Province currently attaches grants to subsidized spaces and only non-profit centres can receive grants. This means that the existing funding structure compromises the ability to pay comparable wages, even within the non-profit sector.

Half of the existing full-day spaces are in commercial centres. The financial analysis of comparable non-profit and commercial centres show that, in order to pay comparable wages, the 46 space commercial centre described would have to charge fees 20% higher than the non-profit centre that is 50% subsidized. If grants increase and continue to apply only to non-profit centres, then commercial centres would be further disadvantaged. Consequently, the wage gap between commercial and non-profit centres would increase, and children would not have access to programs of similar quality.

The Atlantic Day Care Study showed that the overall quality in child care in Nova Scotia is mediocre. Attaching conditions for grants to all centres should provide incentives to both commercial and non-profit centres to address quality and accountability concerns.

Extending grants to all full-day centres acknowledges the contribution of existing commercial operators, who have provided a needed service in the absence of government planning, community development strategies or funding to establish non-profit programs. At the same time, by limiting grant funding to existing commercial centres, ECDS will have the opportunity to develop a planned approach for future expansion directed to non-profit delivery. *The Report of the Round Table on Day Care in Nova Scotia* in 1991 recommended the provision of grants to existing commercial centres, with conditions for eligibility and accountability.

RECOMMENDATION 3:

Provide salary grants to full-day centres in a manner that reflects:

- the legislated child:staff ratio for each age group
- the hours and days of operation of a centre
- the average enrolment

Rationale:

Current salary grants are based on approved subsidized spaces, whether or not those spaces are being utilized. This approach does not encourage centres to maximise occupancy and it bears no relationship to staffing requirements. Centres with subsidized school age children benefit the most, as school age spaces generate twice the salary grants per staff as a group of pre-school children, and almost 4 times that of a group of infants. Centres are not monitored to determine if the grants are being applied to salaries, or the impact on a centre's ability to raise wages. Having a function-specific grant, allocated on a per staff basis, will ensure that all centres

have the same ability to direct the majority of grant funding directly to wages and benefits. It will be easier for government to monitor the impact of these grants on wages, through its information collection and analysis.

Under the current structure, a full-day centre receives the same per space salary grant regardless of the number of hours of operation, which range from less than 7.5 hours per day to 12 hours. Centres open longer hours do so to accommodate the needs of working parents and have to hire additional staff, for which they receive no additional dollars.

Funding for wages comes primarily from grants, fees and fee subsidies. Fees charged to parents cannot reflect the true difference in cost between infant and school age care. The proposed approach does not eliminate the differences in revenue, but it reduces the gap, and makes it more feasible for centres to offer care for younger age groups.

Comments:

The proposed salary grant, which would be distributed according to guidelines established by ECDS, provides \$6,250/year per required staff. As additional funds become available, the allocation can be increased, or a percentage added for administration and support staff. For example, in Manitoba, the Manitoba Child Care Coalition has proposed an amount of 5% over their unit salary funding to assist with administrative costs of centres.

Before the grant amount can be calculated, information on centres will have to be collected. It will take time to design the data collection instruments, collect and input the information, determine the conditions for eligibility, and communicate the process to the child care field.

In the last 12 months, Child Day Care in Manitoba has changed its funding approach to provide grants based on child:staff ratios. The changes were developed and implemented within a few months and have had a significant positive impact on child care wages. Consultation with staff in their department may help ECDS with this process.

RECOMMENDATION 4

Replace the infrastructure and the equipment grant with a single program grant and establish guidelines for its use.

Rationale:

A single program grant will help streamline administrative procedures. The current funding arrangement has few conditions on how the funds are used and monitoring of the expenditures is scarce. Establishing conditions will improve accountability for the spending. The program grant could have a wide range of approved uses, depending on the conditions and the need of individual centres. The grant could be used for in-service training and professional development activities, as well as equipment and supplies.

RECOMMENDATION 5

Increase the supply of subsidies, make all new subsidies portable and increase the portability of under-utilized regular subsidies.

Rationale:

One of the priorities in the Department's Business Plan for 200-2001 is to ensure that day care subsidies are portable and that they are attached to the child, not the facility. The

preliminary evaluation of the Portability Project (launched in July 2000), found that it has been successfully implemented according to the project's terms of reference. Making all future subsidies portable builds on this established process.

Centres with allocated subsidies need to keep them until there is a significant increase in the number of subsidized spaces across the province. If all spaces were to become immediately portable, existing centres would become less financially stable. Highly subsidized centres are often in low-income neighbourhoods. In the short term, it will be difficult to attract full fee parents to fill vacancies as existing spaces are distributed over a greater number of programs.

There is an ongoing under-utilization of allocated subsidies, which the Department could manage as portable subsidies. Most provinces use the average cost of a subsidized "space" for budgeting purposes, and then manage the budget to the bottom line. This allows for greater flexibility in the utilisation of subsidies. Once the under-utilized spaces have been integrated into the system, an increase in subsidy budget will be necessary to ensure eligible parents continue to have access to licensed care and that long waiting lists do not occur.

Portable subsidies provide the same choices to low income parents as those paying the full fee. They are less likely to have to leave their community to access a subsidy and they are less likely to have to use unlicensed care due to a lack of centres with no allocated subsidies. *The Report of the Task Force on Day Care* first recommended a pilot project for portable subsidies in 1983.

Comments:

There are two suggestions to increase efficiency in the subsidy program. The first is to reduce the number of allowable absent days. Under the current claims process, a child could be away for 43% of 260 operating days in a year, if she took all allowable days (including specific numbers of days for illness, vacation, and other absences). Most provinces allow a 15% non-attendance rate, regardless of the reason. In some cases, allowances are made for extended illness, or to address custody issues. A similar approach is worth exploring to ensure that the Department is not paying for a seriously under-utilized space and it would simplify the claims process by not having to verify the reason a child was absent each month.

The second suggestion is to allow parents to apply for subsidy before they necessarily have a confirmed space in a child care centre. If a parent's first choice of program has no vacancy, they could take their subsidy approval to another centre. Moving to a mail-in subsidy application would streamline the administration of the program, and would be less likely to stigmatize parents.

RECOMMENDATION 6

Adjust the subsidy rates to better reflect the cost of care associated with each group.

Rationale:

Nova Scotia is the only province to have the same subsidy rates across all age groups. As with the current salary grant, this approach generates a disproportionate amount of revenue for older age groups.

Subsidy rates have a major impact on staff wages. Centres try to keep fees at a level that do not require hefty surcharges be paid by parents who have been assessed as being able to afford

\$2.25/day for child care. Some child care centres are charging as much as \$8.30/day on top of the required minimum user fees. Raising the subsidy rates will help keep licensed child care affordable for low-income families.

Comments:

The net income cut-off levels for full subsidy, particularly for a one-parent family are well within the range of other provinces. However, the cut-off levels for partial subsidy are low relative to other provinces and considerably lower than the average family income. Many families are beyond the income level for subsidy but cannot afford the full fee for licensed care. These families would benefit from increased access to partial subsidies. However, until there is a significant increase in the subsidy budget, raising the eligibility levels will simply create increased waiting lists for subsidized care. The immediate focus for funding is stabilisation of centres; affordability issues, including greater access to subsidy should wait until the system is stabilized and additional funding is available.

RECOMMENDATION 7

Undertake a comprehensive review of family child care including management structure, optional licensing methods, employment status of caregivers, wages of caregivers and training requirements for caregivers.

Rationale

Family child care is not a major component of the child care delivery system in Nova Scotia. Fewer than 200 children are cared for in the current regulated system. An agency model for family child care was first established as a pilot project in 1980 and the current agency model has developed over the last 15 years. It currently operates under *Guidelines for Operating Family Day Care in Nova Scotia*, last revised in 1998.

The guidelines largely serve to protect the health and safety of children and contain few program requirements that support healthy child development. Training requirements are minimal; caregivers need no formal training and are only required to attend four hours of training workshops annually. It is not clear whether the stated objective of providing flexible hours of care for parents who work extended hours or on weekends has been met. The Guidelines state that the majority of revenue for a family child care agency comes from parent fees. Most children are fully subsidized.

Family child care has not seen any significant growth over the years; the reasons for which are not apparent. A program review and an assessment of the delivery options and issues could help determine the role that family child care might play in a comprehensive child care system.

RECOMMENDATION 8

Undertake a comprehensive review of child care for children with special needs, including training requirements for child care staff, necessary supports for children and the development of evaluation/outcome measures of interventions.

Rationale

Child care centres that enrol children with identified disabilities and delays are eligible for additional funding (*special needs differential*). Some centres, classified as "developmental centres" receive \$32/full-day/child, and other centres receive \$28/full-day/child. In total, Nova Scotia spends approximately \$1.5 million on this special needs funding. The *Child Care*

Funding Review Terms of Reference asks for recommendations on best practices for Nova Scotia to better respond to the needs of families with children with special needs. During this review, it was not possible to address funding questions related to special needs funding due to the short time for the review and the complexity of the issues.

There has been no evaluation undertaken to determine how well the special needs differential currently meets the needs of children, families or service providers. There is no tracking of children with special needs in child care to determine the effectiveness of the supports employed, nor the types of supports service providers have found the most effective. A policy framework which sets out the goals of special needs funding, which considers known strategies to provide effective mainstreaming opportunities for all children, and which supports parental labour force participation is needed.

RECOMMENDATION 9:

Develop a database of child care centre, parent and child information that will support

- the subsidy claims process;
- the grant application process;
- the child care licensing process;
- the planning, implementation and monitoring of child care funding programs,
- program review and evaluation activities; and
- future policy development and service planning.

Rationale:

For the most part, Nova Scotia manually handles the application and distribution of subsidies and grants, licensing of day care centres and claims processing. Information used to process child care centre subsidy claims is currently held on more than 3,000 index cards, which are reviewed and updated monthly. While an Information System will not resolve the issues addressed in this report, it may have a significant effect on the resolution of many of them.

A Child Care Information System will help address the workload issues associated with a manual system, the complexities of rate changes, inadequate data collection, the lack of accountability, and inefficiencies in claims processing. The establishment of effective Information Technology support will also help to place the Department of Community Services in a better position for possible future child care initiatives. A Child Care Information System may be used as a platform to support the future integration of other early childhood programs and services, analysis, planning, evaluation, implementation of new funding agreements, and improvements to client service.

Comments:

The report of the National Data Project, co-ordinated by the Child Care Resource and Research Unit at the University of Toronto, contains information that may be useful for ECDS in developing a child care information system for Nova Scotia. The report reviews and analyses the current child care data environments of the provinces/territories and makes recommendations for harmonisation of data on characteristics of services. The report notes that Alberta has recently revised their child care information system. It:

- collects comprehensive child and family information, licensing and inspection information and monthly claims for calculating subsidy;

- performs subsidy income eligibility calculations for applicants; and
- has a contract management component.

RECOMMENDATION 10:

Allocate increased staff resources to the Department to enable the necessary policy development and effective implementation of funding changes to take place. Priority areas are program and policy analysis, finance and administration, and information technology.

Rationale:

Early Childhood Development Services has been seriously understaffed in comparison to other provinces. Lack of staff (to monitor financial expenditures of centres, develop more effective budgeting processes, evaluate existing practices and policies, develop new policy, or offer program support to programs) has hampered efforts to ensure quality of service, accountability for public resources and a consistent approach to policy. At a minimum, to address recommendations of the funding review, additional staff will be needed for:

- initial data gathering and analysis of impact of changes on existing centres;
- development and testing of new budget submission forms;
- training child care directors in new application procedures;
- monitoring of and providing financial information to centres;
- redesign and automation of subsidy application and claims process; pilot mail in application;
- data collection and analysis;
- training for licensing officers/program consultants;
- policy development and analysis; and
- communication/consultation with the child care workforce

This does not address the need for additional staff, such as licensing officers, to address quality issues.

DEFINING OBJECTIVES FOR THE TWO- TO FIVE-YEAR TERM

In the short-term the focus will be on stabilizing existing full-day child care centres, developing systems to gather and analyse information on child care facilities, and to monitor expenditures and the related outcomes. Once that phase is complete, ECDS will be in a position to look to changes that are more fundamental to the creation a comprehensive child care system operating in a coherent policy framework. Over the next 2-5 years, we suggest the following objectives and activities guide the planning process.

Medium term objectives are to:

- develop a non-profit, community-based infrastructure that provides parenting support, information and referral services; and access to resources, training and professional development opportunities for caregivers
- improve access to relevant training and professional development opportunities for caregivers
- integrate and/or improve co-ordination among early childhood programs and services

- improve access to quality, regulated early childhood programs and services, by increasing the availability and affordability of such programs
- develop new funding mechanisms for early childhood programs and services that are based on a public funding model and availability regardless of family income
- ensure that children with special needs have equitable access to programs and services in a manner that supports their optimal development
- explore alternative models of regulated family child care with a view to expanding this option within a comprehensive child care delivery system
- examine alternative vehicles for the administration and management of child care centres, including a new non-profit, community-based authority
- test innovative models of early childhood programs and services that balance the changing needs of the labour force for more flexible care arrangements with good developmental practice

The suggested focus of work planning is as follows.

ISSUE	PROPOSED ACTIVITIES
Fee subsidy	• Examine the cost of raising the eligibility levels for subsidy and lowering the tax-back rate, so that more middle-income families will be eligible for partial subsidy. • Examine the feasibility of requiring parents involved in employment support initiatives, for whom the Department is paying child care fees, to use licensed child care unless it is not available where or when the parent needs it. • Examine the feasibility of moving to a mail-in subsidy application process. • Ensure that information systems developed for processing child care subsidy claims enable an integrated and co-ordinated use of data across ECDS. • Extend the eligibility of child care subsidies to part-day programs. • Examine the feasibility of extending those subsidies to all families who meet the income criteria regardless of employment status.
Salary and Program Grants	• Implement methods for data collection and analysis, monitoring and tracking. Integrate them with other information technology in the Department. • Develop and implement a process for evaluating the impact of salary grants on wages and turnover rates, and on administrative practices within child care centres. • Taking into account the results of such an evaluation, extend salary grants to part-day programs • Extend pro-rated salary and program grants to part-day programs that meet eligibility conditions. Eliminate grants to Child Development Centres. • Examine the ability to pay for program development grants and capital start-up grants for non-profit programs.
Training	• Eliminate the current provisions in the legislation that enable untrained staff with minimal qualifications to be granted equivalency status with trained early childhood educators. • In consultation with post-secondary institutions and community-based child care organizations develop a plan for in-service training and professional development for child care staff. • Provide funds to training institutions and organizations to implement in-service training and professional development. • In consultation with the post-secondary training institutions, examine ways of addressing the relatively high cost of tuition for students attending the private training institutions.
Infrastructure	• In consultation with the child care community examine options for creating resource, referral and information programs to support parents and caregivers. • In consultation with the child care community develop targets and timetables for expansion of the child care
Accountability	• In consultation with the policy and research section, develop evaluation procedures to assess effectiveness of funding mechanisms. • Integrate the tracking systems with others in the Department. • Examine the feasibility of requiring parents involved in employment support initiatives, for whom the Department is paying child care fees, to use licensed child care unless it is not available where or when the parent needs it. • Develop contracts-for-service for community organizations receiving funds from ECDS.
Delivery Methods	• Develop mechanisms to assist operators of commercial centres, who wish to, convert to non-profit • Ensure that non-profit boards of directors receive training in board responsibility and liability, and effective management • Examine the feasibility of creating a new community-based child care authority to develop, implement and manage child care centres where individual centre Boards of Directors are not feasible or effective

LONG TERM RECOMMENDATION**RECOMMENDATION 11:**

Create a strategic plan for the provision of child care in Nova Scotia. The plan will describe the mission, goals and objectives that the people of Nova Scotia have for child care.

Rationale:

There is an immediate need for a clear statement of the vision and goals for child care. Without it, programs and policies become reactive. Efforts become fragmented and thus lose their effectiveness. We call the recommendation to establish a strategic plan long term because it will take time (one to two years) to develop it and achieve consensus. A strategic plan should always be in place.

The modest increase in resources available as of April 1, 2001, invested into services that operate without an infrastructure, without a coherent policy framework, and with very few resources, will not produce a quality, accountable and stable system. Fundamental changes are needed in the provision of:

- more and better infrastructure; and
- a coherent policy framework.

Comments:

Nova Scotia should not try to make fundamental changes until it answers the following questions:

- What kind of child care system does Nova Scotia need and want?
- How will the provincial government and the child care community work together to develop that system?
- How can child care be integrated and co-ordinated within a rational, coherent broader family policy framework?
- How much will it cost?
- How will public resources be allocated to build the system?

On the way to answering these questions and building the strategy Nova Scotians will have to consider the:

- importance of the long lasting effects of early childhood experiences on the development of young children;
- recognition they are willing to give to the role that quality early childhood programs, and the staff that deliver them, play in the healthy development of children;
- extent to which they will support public spending on early childhood programs;
- importance of affordable, quality, community-based and delivered regulated child care, that supports both parental labour force participation and attachment and healthy child development;
- need for a well-trained, stable, fairly-compensated workforce;
- importance of equity of access to regulated early childhood programs that is not limited by geography, parental income or employment status, or by the ability or disability of a child; and

- nature of a fair and equitable distribution of Nova Scotia resources that will support quality programs.

The changes to child care funding that we recommend are focussed on stabilizing the current child care system. The changes will preserve and improve the current system and as such will give Nova Scotians time to develop their strategic vision for child care and the actions they are willing to realise the vision. We have designed the short and medium term recommendations and suggested planning activities so that they will not limit the options open to the strategic plan.

CONCLUSION

This report attempts to answer the question of how to distribute limited funds in a fair and efficient manner. The proposed changes to child care funding are practical and can be implemented with modest increases in financial resources. The changes are based on progressive child care theory and proven practice. The changes will stabilize the current system and in doing so will help pave the way for the more fundamental changes that are needed to reach the longer-term goals of the Department for child care.

APPENDIX 1:**GOVERNMENTS' ROLE IN NOVA SCOTIA CHILD CARE**

From 1966 until its demise in 1996, the Canada Assistance Plan (CAP) was the main vehicle for providing transfer payments to the provinces for social programs. Under the CAP agreement, the federal government cost-shared on a 50-50 basis the spending by provincial governments on social programs, including child care. It was an open-ended program (until 1991, when transfers to Ontario, Alberta and BC were frozen) with conditions for eligibility and reporting requirements. Cost sharing was not permitted on provincial spending on commercial child care, unless eligibility was determined by need, rather than an income test. Nova Scotia opted for the income test, (which was considerably lower than the CAP guidelines) and as a result did not extend subsidies or grants to commercial programs.

During the 1993 election campaign, the Liberal government made a commitment to create 50,000 new child care spaces a year following a year of 3% economic growth, up to a total of 150,000 new child care spaces.⁴⁶ This commitment depended on the agreement and cost-sharing of the provinces, and came at the same time that CAP was being eliminated and the Canada Health and Social Transfer (CHST) was being implemented. The CHST resulted in a cut of \$7 billion in transfer payments to the provinces, which were then reluctant to put new monies on the table for child care. As a result, the planned expansion did not go forward.

The next infusion of funds into child care came indirectly through the National Child Benefit, announced in the 1997 federal budget. Beginning in July 1998, this benefit provided \$850 million per year in additional federal support for low-income families with children. The amounts have increased each year; in July 2000, spending was \$1.7 billion. It is a joint federal/provincial initiative aimed at preventing and reducing poverty and providing financial incentives to keep low-income parents working and removing incentives for remaining on social assistance.

Provincial governments have reinvested savings (i.e., reduced provincial social assistance payments) in a range of programs and benefits, including:

- income supplements
- child care
- early childhood services and children-at-risk services
- supplementary health benefits

Part of Nova Scotia's reinvestment has been through the Healthy Child Development Initiatives, which provided additional funds for child care. Those funds include additional child care subsidies; expanded Early Intervention services and an infrastructure grant to non-profit child care centres.

The federal government also undertakes research in a variety of areas that affect child care, and provides grants to community groups to undertake child care research and studies. Below is an overview of the main programs and supports in which the federal government is involved. First are programs that provide direct and indirect funding to individuals.

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Notes

Liberal Part of Canada, 1993

FEDERAL GOVERNMENT INVOLVEMENT IN CHILD CARE

Canada Customs and Revenue Agency

Child Care Expense Deduction:

Parents who are working or studying may deduct child care expenses of up to \$7,000/year per child for a child under 7 and \$4,000/year for a child 7-16. It must be claimed by the lower income parent and cannot exceed 2/3 of income.

- estimated spending in 1997: \$480 million⁴⁷

National Child Benefit:

- estimated spending in 2000: \$1.7 billion

Human Resources Development Canada

Maternity and parental benefits:

Some employees, who meet eligibility requirements under the Employment Insurance Act, receive payments of 55% of their income up to \$413/week. Effective January 1, 2001 the benefit period increased from 6 months to 1 year.

Recipients must have 600 hours insurable earnings to qualify. Parents are able to work part-time while receiving parental, but not maternity benefits. Earnings may be the greater of 25% of their weekly benefit or \$50/week, after which the amount is deducted from their benefit.

- 55% of regular income up to maximum of \$413/week
- average weekly benefits in 2000: \$285 for maternity; \$351 for adoption⁴⁸
- in 1998 about 49% of families with new-borns received benefits
- in Nova Scotia in 1997, 3,450 claims were allowed; there were 9,952 births

⁴⁷ Department of Finance Canada, 2000

⁴⁸ Statistics Canada, 1999

FOLLOWING ARE FEDERAL PROGRAMS THAT MAY PROVIDE FUNDS TO COMMUNITY-BASED ORGANIZATIONS.

Health Canada

Community Action Program for Children (CAP-C):

Announced in 1992 in response to the United Nations Convention on the Rights of the Child, CAPC provides funds to community agencies to develop services for children 0-6 deemed to be living in conditions of risk. The range of funded programs includes family resource centres, child development centres, parenting education and infant stimulation.

- jointly managed by the federal and provincial governments
- there are 20 CAPC sites in Nova Scotia, all of which are family resource centres

Aboriginal Head Start Program:

This initiative comprises primarily pre-school programs that promote First Nations, Metis and Inuit values and beliefs. Programs are developed, operated and evaluated with the involvement of the local Aboriginal community. Each project includes the following components: culture and language, education, health promotion and nutrition and social supports.

- more than 100 sites across the country
- in 1998, approximate spending: \$62 million
- there is one Aboriginal Head Start Program in Nova Scotia

Human Resources Development Canada

Strategic Policy:

Applied Research:

Strategic Partnerships:

- National Longitudinal Survey of Children and Youth (NLSCY), with Statistics Canada
- Understanding the Early Years (UEY)
- Sector Study on child care
- Human Resources Round Table on Child Care
- First Nations and Inuit Child Care
- Child Care Visions (program currently on hold)

Federal/Provincial Initiatives**Social Union:****National Children's Agenda**

- Centres of Excellence for Children's Wellbeing
- Learning Readiness Indicators
- Extending Aboriginal Head Start off Reserve
- Early Childhood Development Agreement

NOVA SCOTIA GOVERNMENT CHILD CARE RELATED SERVICES AND PROGRAMS**Employment Support Services:**

Parents involved in an employability program may receive payment to assist with child care costs. Parents are given information on the range of child care options. The parent may choose of any form of licensed, unlicensed or relative care, except care provided by a spouse. Parents using licensed care are encouraged to apply for subsidy; the child care allowance may cover the difference between the subsidy rate and the fee charged by the centre. There is no tracking of the type of care used.

- up to \$200/month for one child;
- up to \$300/month for more than one child;
- amount rises to \$400/family in August 01/01
- maximum of \$4/hr/family for unlicensed care
- funding provided to an average of 554 children/month
- no fee to parent
- total estimated actual spending in 2000: \$793,000

Child Welfare:

Children who are permanent wards, temporary wards or involved in a family support program may be eligible for child care funding.

Placement is made by a joint decision between the caseworker and parent, based on need of the child. Care may be provided in licensed, unlicensed or relative care, except a spouse; occasionally a home care agency used. If the care is unlicensed, the provider must undergo a police check, and not be on the abuse register. The caseworker may meet provider.

If child is a ward, the full cost of care is covered; if there is a supervision order or family support, the parent is encouraged to apply for subsidy. When using licensed care, the minimum parent fee and surcharge may be covered

- no fee to parent
- parent income tested only if child is in a subsidized space
- estimated number of children served: 800/year, including those referred to the subsidy program
- total estimated actual spending in 2000: \$875,000
- estimated spending on licensed care in 2000: \$420,000

The following programs deliver services to families and may have a child care component.

Family Resource Programs:

Family resource programs offer a range of family supports. Services include parenting programs and resources, literacy programs, parent-child drop-in, and school-readiness.

Some also operate a Child Development Centre or a licensed child care program.

- Total of 41 (of which 20 are funded under CAP-C)
- all are operated by non-profit boards of directors
- programs are not regulated
- parents are not income tested
- parents whose children are access a pre-school component may be in the paid labour force, but are more likely not
- funding comes from a variety of sources; amount allocated for pre-school components is not known

Early Intervention Programs:

Early Intervention programs provide consultation, information, support and in-home services for families with children 0-6 who have a risk for or diagnosis of developmental delay. Staff assists with the transition to a child care program or to the formal school system. They may be used as a resource to staff working in child care programs and offer in-service training and workshops

Some Early Intervention programs offer playgroups, toy and resource libraries, parent support groups and education workshops.

The Early Intervention Association of Nova Scotia was created in 1996 to represent Early Intervention programs, staff, board members, families and other individuals. The goal is to promote public awareness and education and to promote professional development in the field.

- 16 programs operated by non-profit boards of directors
- parents are not income tested
- there is no user fee
- parents may be in the paid labour force or not
- programs are funded on the basis of \$45,000/year per staff to cover operating costs; the Early Intervention Association estimates staff salaries at an average of \$30,000
- Early Intervention serves approximately 350 children per month
- \$1.5 million; annualized cost with recent expansion \$1.89 million

Organizations that receive funding from Early Childhood Development Services:***The Nova Scotia Round Table on Child Care***

Child Care Connections

The Institute for ECE and Developmental Services

- A government-appointed body to advise and make recommendations on child care matters. Funding for member travel, meeting and operating costs: \$34,900
- A community development organization that provides information, resources, support and promotion of quality child care. . \$35,700
- A private non-profit post secondary early childhood training institution, formerly part of the Nova Scotia Teachers College \$80,000

The following programs are licensed under the *Day Care Act and Regulations*.

Child Development Centres (CDCs):

CDCs were established to provide a pre-school experience for children deemed to be "risk," to prepare them for school entry. They are licensed under *Day Care Act and Regulations* and are required to operate at a minimum of a 1:12 staff/child ratio. Centres receive a grant, which cannot exceed 50% of their operating costs. In order to qualify for a grant, at least _ the families of children enrolled must qualify for assistance under established income guidelines (the former Canada Assistance Plan guidelines); these income guidelines are higher than for regular child care subsidy. The director of the CDC administers the income test, and keeps the information on file as required for licensing inspections.

Centres are free to establish their own fees, which are often on a sliding scale according to family income. The amount of funding is generally based on past allocations and not on a formula based on capacity or actual costs.

- 31 part-day pre-school programs in 35 locations
- total licensed capacity of 737; 1,089 spaces through various part-day combinations
- license renewed annually
- operated by non-profit boards
- receive operating grants ranging from \$1,068 to \$40,000 per year
- average expenditure per child \$245/year
- approximate spending 2001: \$300,000

Family Child Care:

Care in a private home supervised by an approved agency. A provider may care for up to six children under the age of 6, including her own pre-school children, or 8 school age children. No more than 3 children can be under the age of 3.

The agency is responsible for recruiting and screening providers and monitoring homes under provincial guidelines. There are no formal training requirements for providers, must attend training workshops annually. Agency staff must meet the training requirements of the *Day Care Act and Regulations*.

The agency sets the rates for the providers, which is paid on a per child basis. A provider may care for both agency-placed and privately placed children.

The recommended caseload for a home visitor is 20 homes, with a maximum of 160 children.

- three family child care agencies
- two satellite programs attached to child care centres, each with spaces for 9 children
- operated by non-profit boards of directors
- 169 children served
- all children are subsidized
- same fee subsidies as in centre-based care
- may receive infant differential of \$1.58/child/day
- administration grants based on 10% of approved per diem fee, total in 00-01: \$ 42,470

Part-day centres:

Part-day programs are licensed under *Day Care Act and Regulations* and are required to operate at a minimum of a 1:12 staff/child ratio for pre-school age children, and 1:15 for school age. Most children attend two or three mornings or afternoon per week. They may be used as a child development experience by parents not in the paid labour force, or as part of a child care arrangement for working families.

A few programs serve only school age children after school hours.

- 163 facilities
- total licensed capacity of 3,337
- license renewed biannually
- user pay
- no fee subsidies, but payments may be made on behalf of some children through Child Welfare program
- may receive special needs differential
- no grants
- both non-profit and commercial operation
- no funding allocation from government

Full-day centres:

Full-day programs are licensed under *Day Care Act and Regulations*. Effective April 1, 2001 required staff: child ratios are 1:4 for infants; 1:6 for toddlers; 1:8 for children 3-5 and 1:15 for school age children. Centres may be operated by an individual, partnership or corporation, or by a non-profit board of directors. Depending on the policy of the centre, children may attend on a full-time, part-time or part-day basis. 2/3 of staff must hold a certificate or diploma from an approved training program, or have equivalent training as outlined in the legislation.

Primarily a user-pay program, some Parents, who qualify under an eligibility test assessing the reason for care and family income, may receive a fee subsidy. To be eligible for a full subsidy a one-parent, one-child family must have a net annual income of \$16,812 or below, or \$17,712 for a two-parent, two-child family.

In 1998 the median monthly parent fee for full day care for infants was \$470, and for toddlers and pre-schoolers \$412.⁴⁹ Data on individual centre fees is not available, but average fees from the centres receiving portable subsidies were \$20.39 for non-profit centres and \$21.29 for commercial centres.

In 1998, the average hourly wage was \$8.51 for a "teacher," \$7.04 for an assistant, \$10.21 for a teacher/director and \$14.56 for an administrator. The average hourly industrial wage was \$18.17.⁵⁰

commercial centres:

- 113 facilities;
- total licensed capacity of 7,761
- license renewed annually
- fee-for-service
- no grants; no regular subsidies
- may receive portable subsidies, of \$17.20/day less \$2.25 minimum user fee per family
- may receive special needs differential of \$28/day/child
- may receive small business start-up grants or loans

non-profit centres:

- 86 facilities;
- license renewed annually
- fee for service
- may receive regular and portable fee subsidies of \$17.20/day less \$2.25 minimum user fee per family
- fixed number of regular subsidies allocated to individual centres
- may receive special needs differential of \$28/day/child; if development centre, may receive \$32/day/child
- infant differential of \$4.69/day/licensed infant space
- salary grant of \$3.25/approved subsidized space
- equipment/ grant of \$.50/day/allocated subsidized space
- infrastructure grant of \$.25/day/ licensed space
- start-up grant of \$100/subsidized space
- total spending on grants and subsidies: \$12.94 million

⁴⁹ Doherty et al. 2000

⁵⁰ *ibid.*

APPENDIX 2:**FINANCIAL COMPARISON OF COMMERCIAL AND NON-PROFIT CENTRES; ASSUMPTIONS**

The following are the data inputs and assumptions:

- 46 licensed spaces (10 infant @ \$25/day, 12 toddler @ \$22/day, 24 pre-schoolers @ \$21/day);
- 8 teaching staff, 1 fulltime equivalent to cover sick and vacation time, 1 administrator, 1 cook;
- operates all year;
- 90% occupancy rate;
- rent based on 2,800 ft.² and building expenses paid by owner as shown in column "Bldg. Owner or Holding Company" and 4%;
- rental from third party owner includes 4% profit on building operating costs;
- rental from holding company of commercial owner-operator (Commercial 2) and non-profit (Non-profit 3-O) does not include 4% profit allowance;
- principal and interest calculated based on a 75% mortgage of \$187,500 building @ 6.5% interest rate over 25 years paid weekly;
- grants and subsidies a calculated based on the programs in existence as of March 9, 2001;
- salary enhancement grants are applied directly to salaries;
- infrastructure grants to non-profit centres are assumed to make up about 86% of actual maintenance and infrastructure needs
- maintenance and infrastructure improvement needs are assumed to be the same for commercial and non-profit centres;
- equipment grants are assumed to serve as a "top-up" supplies and materials expenditures of about \$100 per occupied space per year;
- supplies and materials expenditures by commercial centres are assumed to be the same as those for Non-profit 3 and Non-profit 3-O centres;
- commercial centres receive HST rebates as per current rules and non-profit centres receive a rebate of 50% of their HST costs (as per current rules);
- non-profit centres pay rent that includes property tax charged at the residential rate (as is the case in the Town of Kentville);
- non-profit centres do not pay business occupancy tax (as is the case in the Town of Kentville);
- property tax rates are those charged by the Town of Kentville as of March 9, 2001; and building depreciation is charged on the basis of a 30-year straight-line depreciation.

Business Valuation - To determine whether an owner-operator of a 46 space child care centre could realise significant gains in the sale of their property and business, we make the following assumptions.

Assuming:

- the owner operator runs the centre for 25 years;
- the building appreciates 3% per year;
- inflation is 2.5% per year;
- 1/2 of the future stream of lifetime owner draws is accepted as part of the value of the business;

- 5% of the 25 year building value and future stream of lifetime owner draws is accepted as the value of goodwill to the business;
- the next best alternative use of capital would return 10% per year (nominal); then
- the present value of the business to the owner operator would be about \$33,400 (about \$18.6 thousand from the sale of the building, \$13.2 thousand from the discounted value of the future stream of owner draws, \$1.7 thousand in goodwill).

Therefore, the total value of the business to the owner operator over a 25-year period amounts to:

- the employment provided to the owner by the business; and
- about \$33,400 (present value) at the sale of the business in 25 years.

By any measure, these returns are slim. The capital gains amount to only \$18.6 thousand in present value.

APPENDIX 3: FUNDING ISSUES AND APPROACHES IN SELECTED CANADIAN JURISDICTIONS

Quebec

In 1996, the Government of Quebec announced a new family policy, with four objectives to:

- ensure fairness through universal support of families;
- give increased assistance for low-income families;
- facilitate the balancing of work and family life; and
- foster child development and equal opportunities.

The policy components of this policy:

- an integrated child allowance;
- proposed enhanced maternity and parental leave provisions through a new parental insurance plan; and
- the development of early childhood education and child care services, to provide accessible programs, which foster child development, and gradually introduce skills children need to succeed at school.

In the fall of 1997, the Government of Quebec began to implement the new early childhood care and education program. Responsibility for this new program went to the newly created Ministère de la Famille et de l'Enfance, which integrated the activities of the Secrétariat à la famille and the Office des services de garde à l'enfance.

Kindergarten programs for 5-year olds were extended from half day to full day. The part-day kindergarten programs for 4-year olds, that existed in some designated schools on the island of Montreal, were combined with a half-day child care program at no cost to parents. Child care for school age children is provided, for the most part, by school boards and is the responsibility of the Ministry of Education.

The government gradually introduced child care for \$5 day/child, first to four-year olds, and then each year extending this service downward by age, so that by the year 2000 children of all ages were eligible for a \$5 space

Individual child care centres and family child care agencies are being replaced with *Centres de la petite enfance* (CPEs) or Early Childhood Centres, which must offer at least two kinds of child care service. Most CPEs will offer centre-based and family child care, and also may consider, where there is a demand, part-time care or flexible arrangements such as evening and weekend care. As of August 2000, ten pilot projects were underway to deliver flexible child care.

A CPE may hold a license for up to 350 spaces across types of care and facilities. A maximum of 240 can be in centre-based care, with an individual centre maximum of 80. Up to 250 spaces may be in family child care homes. Regulated providers may care for a maximum of six children, including their own, under the age of nine. If they have an assistant, they may care for up to nine children.

A non-profit board, a majority of which must be parents of children in the program, must operate a CPE. Since the current demand for regulated spaces is greater than the supply, the Ministry "rents" space from commercial programs. Agreements with the commercial centres are

renegotiated annually until they are no longer needed. All expansion is occurring in the non-profit sector. Quebec no longer licenses commercial centres.

To meet the increasing demands for child care, a major expansion plan is underway, at a rate of 12,000 new \$5/day spaces per year. The goal is to have 200,000 spaces by the year 2005. Regional planning bodies, *les conseils régionaux de développement*, whose members come from municipalities, a range of social services and child care organizations, are charged with meeting space targets. Capital funding available is to non-profit groups for expansion and start-up for up to 50% of costs to a maximum of approximately \$183,000 for owned premises and \$110,000 for rented.

The number of trained staff required in centre-based programs has been increased from one-third of staff in a centre to two-thirds. A common curriculum, *Child Care Education Techniques* has been implemented in the post-secondary Cégep programs. The child:staff ratios for four-year olds was increased from 8:1 to 10:1, while remaining at 8:1 for three-year olds. Family child care providers are required to have a first aid certificate and complete a training program of at least 45 hours.

A new wage scale for trained and untrained staff, as well as support personnel was introduced in 1999. Wage rates were increased over four years based on a 10-step scale. The steps depend on education and years of experience. Starting wages for a trained staff rise from \$10.79-\$13.39/hour, to \$18.00/hour, up from \$15.23. About 12,000 new jobs will have been created by the time expansion is complete.

Funding

Before the implementation of the new early childhood program, Quebec funded child care through parent fees, subsidies for low-income parents, and a range of operating and one-time grants. In 1997/98, at the start of the new early childhood program, Quebec had approximately 175,000 regulated child care spaces. Public spending on child care totalled \$300 million (about 1,700/space) as follows:⁵¹

Fee subsidies	\$82.1m
One-time grants: start-up, relocation and special needs equipment grants	\$12.4m
Operating grants	\$187.81m
Special needs funding	\$10.8m
Group benefit grants and child care organization grants	\$6.9m
Total	\$299.9m

The new early childhood program bases funding for centres on three categories of criteria:⁵²

- Child care and early childhood education costs, which covers teaching staff and program costs of \$45.90/day for an infant, and \$28.80/day for children over 18 months
- Administrative costs and general expenses:
- \$1,900/space/year for the first 30 children
- \$1,565/space/year for the next 30 children

⁵¹ Childcare Resource and Research Unit. 2000.

⁵² Jocelyne Tougas: personal communication

- \$1,408/space/year for additional spaces over 60
- Rent:
- \$1,200/space/year for the first 60 spaces
- \$600/space/year for the next 20 spaces.⁵³ⁱ

As of January 1 2001, there were 129,559 regulated spaces in centre-based programs and family child care homes. The budget for 2000/01 is \$845.6 million (about 6,500/space).¹

Applying a similar funding level to child care spaces in Nova Scotia would cost the following:

- To fund licensed full-day spaces to serve 25% of children 0-5, the current rate of supply in Quebec, would cost \$103.19 million (25% of 63,500 children = 15,875 @ \$6,500/space)
- To serve 25% of children 0-12 would cost \$247 million (25% of 152,000 = 38,000 @ \$6,500/space)
- To serve 50% of children 0-12 would cost \$494 million

No other jurisdiction has come close to matching the commitment to an accessible, affordable, quality early childhood program of Quebec. However, there have been a number of interesting developments in several other provinces.

Manitoba:

In July 2000, the government of Manitoba increased child care spending by \$9.1 million, and created a new funding formula for non-profit child care centres. This change resulted in increased wages, deemed necessary to stabilize the system and reduce turnover. This approach changes grants based on the licensed spaces in a program, to grants based on the number of staff required to meet the ratios in a particular age group. The features of the new approach include:

- \$206/day/unit in combined government grants and parent fees as the standard measure, with approximately 80% targeted to wages. Manitoba was the first province to establish a maximum fee that could be charged by funded centres to full fee parents.
- Maximum fees of \$28/day for infants, \$18.80/day for pre-schoolers and \$9.40 for school age care. Low-income families are eligible for a subsidy for that amount, less a user fee of up to \$2.40/day/child.
A minimum of 79% is to go to wages (with approximately 11% benefits); the other 21% can be variable. The new funding model does not address the issue of affordability for parents, but has raised the hourly wage from an average of \$9.47 in 1998 for a trained teacher, to an approximate starting wage of \$11.85. The first step was to fund un-funded and partially funded centres.
- The identified goal was to stabilize existing facilities; recruitment/retention was a major barrier to stabilisation.
- School age programs received a disproportionate amount of the funding and were able to pay higher wages, while infant and pre-school programs were in deficit situations.

- Communication to the field came through a letter from the Minister, along with a fact sheet, public meetings and through the Manitoba Child Care Association.
- Because of this change in funding, the system has been stabilized and salaries have increased beyond expectations.
- Subsidy applications are made by mail and are centrally processed and managed. Parents submit proof of income, they permit access to tax return if necessary, state reason for care, amount needed.
- Parents have access to an "assessor" guide to determine their likely eligibility.
- If seeking employment, they may have 8 weeks of subsidy; if employed they are approved on an annual basis.
- 11,000 families are subsidized – about 20,000 applications are processed annually (depending on the number entering and leaving the system).
- There are no waiting lists for subsidy, it is portable, and receives an average volume increase of 10% in budget each year.
- There are 20 intake clerks with caseloads of approx. 800 each.
- There is a capacity for parents to apply for subsidy on-line.
- There are 25 licensing officers – they do three visits per year, including one for re-licensing, plus one additional contact – they are viewed very much as a consultant/support to child care programs.
- Licensing officers have a caseload of 50 facilities, and about 50 special needs children.
- Other staffing includes the Director, 2 assistant directors (one program, one finance), 2 support staff, 1 program specialist, and 1.5 qualifications co-ordinators responsible for competency assessments (similar to PLAR).
- Extra supports for children with special needs will provide up to a staff salary if necessary. The licensing staff determines the level of support needed.
- To address the need for more trained staff; Red River College will start new program in the fall to aid those already working in the field. They will spend two days in the classroom, and three days at work, which will enable staff to be trained and keep their jobs.

In February 2001, the Child Day Care Regulatory Review Committee, a government appointed, 24-member advisory body developed a *Vision for Child Care and Development in Manitoba*. The paper identifies four essential elements necessary for further development of the child care system: universality, affordability, accessibility and high quality. It makes recommendations in six areas: standards/quality of care, funding, training and professionalism, governance, integrated service delivery, and public education. The government has released this paper for public consultation and comment.

The Child Care Coalition of Manitoba responded with *A Blueprint for Action: A Five Year Plan for Childcare Policy Redesign*. It applauds the government for its actions, but calls for additional measures including principles for policy redesign and action plans. It supports three of the principles: universality, accessibility and high quality and adds four additional ones: public responsibility; comprehensiveness, integration and co-ordination; entitlement; democratic administration and public accountability. It calls for an allocation of 5% of the provincial child care budget for infrastructure and community supports, and a five-year

timeline to redesign and expand the child care system. The target at the end of the five years is to meet the needs of 35% of children under the age of 12. This will take 39,930 licensed spaces.

British Columbia:

In 1998, provincial government spending on child care was \$128.65 million (about \$1,865/space) on 69,000 licensed spaces, and an estimated \$61.65 million in subsidies to license-not-required providers. In 2001, British Columbia introduced *Child Care BC*; a four-year plan to make licensed child care available at a maximum of \$14/day for full-day care and \$7/day for before and after school care.⁵⁴

In the first year of the program, which began January 2001, care for children from kindergarten to age 12 in child care centres is covered. Year two will extend the coverage to school-age children in family child care homes and infant and toddler care in child care centres, where fees currently average \$40-\$46/day. Year 3 will add infant, toddler and pre-school care in family child care homes; year four adds care for 3-5 year olds in centre-based care. At full implementation BC will:

- increase the number of licensed spaces by 20% over the four-year period;
- maintain fee subsidies for low income families; and
- spend \$400 million per year.

Recent announcements from Saskatchewan and Alberta are also instructive.

Saskatchewan

The premier of Saskatchewan announced in February 2001 that there would be a significant increase in funding to community-based organizations (CBOs) to raise their current salary levels, which average \$8/hour.⁵⁵ CBOs include child care centres, early intervention centres, group homes, and women's shelters. According to the Minister of Social Services, government employees with similar levels of education and who have similar responsibilities earn approximately twice that of staff in CBOs.

The government indicated that it had spent \$13 million over the last five years to raise salaries, including \$1.2 million this fiscal year to provide an across the board salary increase. CBO representatives who recently met with government officials are requesting \$40 million/year over four years to achieve parity with government employees.

Alberta

In February 2001, the premier of Alberta committed to increase child care funding to address the issue of low wages.⁵⁶ A committee struck by the minister of Children's Services is reviewing the government's previous decision to eliminate grants to centres in favour of additional subsidies to parents. As of April 1999, all operating grants to child care centres had been phased out. Savings from the elimination of these grants, along with some reinvestment of NCB dollars, went to increased subsidy eligibility levels and rates. Although the eligibility levels

⁵⁴ Online website www.sdes.gov.bc.ca/PROGRAMS?ChildCar/cc_bc_q18_fees.htm

⁵⁵ The Leader-Post (Regina) Wed 21 Feb 2001

⁵⁶ The Calgary Herald, Thu 22 Feb 2001

for subsidy were raised from \$18,710 for a one-parent, one-child family in 1995 to \$20,520 in 1998, the actual spending per child in regulated care went from \$1,323 to \$1,154. Overall spending was reduced from \$67.6 million to \$54.3 million during the same period. The committee is expected to make recommendations by April with a view to recruit and retain good staff.

APPENDIX 4 CALCULATION OF PROPOSED FUNDING APPROACH

The report proposes a funding approach that, initially, would target dollars to wages and benefits of staff in all full-day centres that meet eligibility requirements established by the Department. It suggests providing a grant that is based on the approximate amount that a fully subsidized centre would receive under the current salary grant for a group of preschool children. The following calculations show how the formula was calculated. Space estimates use Department figures of 7,761 full-day licensed child care spaces, with an estimated age-breakdown of 400 infants, 460 toddlers, 5,701 full-day pre-school and 1,200 school age children.

Taking as a basic "staffing unit" one staff required for a group of 8 pre-schoolers, and a full-time program based on a 10 hour day, 260 days a year, a formula would look this:

$$\frac{1 \text{ staff unit} \times 260 \text{ days} \times 5701 \text{ pre-school full day spaces}}{\text{number of staff required to meet the ratio}} = \frac{1,482,260}{714} = 2,075 \text{ units}$$

for infants, the ratio is 1:4, requiring 2 staff units:

$$\frac{2 \text{ staff units} \times 260 \text{ days} \times 400 \text{ infant spaces}}{\text{number of staff to required meet the ratio}} = \frac{208,000}{100} = 2,080 \text{ units}$$

for toddlers, the ratio is 1:6, requiring 1.33 staff units:

$$\frac{1.33 \text{ staff units} \times 260 \text{ days} \times 460 \text{ toddler spaces}}{\text{number of staff to required meet the ratio}} = \frac{159,068}{77} = 2,066 \text{ units}$$

for school age, the ratio is 1:15, requiring .53 staff units:

$$\frac{.53 \text{ staff units} \times 260 \text{ days} \times 1200 \text{ s.a. spaces}}{\text{number of staff to required meet the ratio}} = \frac{165,360}{80} = 2,067 \text{ units}$$

In order to provide to each full-time staff position approximately the same as a fully funded pre-school unit now receives (\$6,760), the number of units would be multiplied by \$3, or about \$6,250/fte staff. This does not mean that individual staff would receive that amount. Each position would generate that amount of revenue for a child care centre. The revenue would be distributed across all staff members, in keeping with the centres' wage guidelines and policies, and according to the conditions set by the Department of Community Services.

Funding to centres that are closed in the summer, or open shorter hours would be adjusted accordingly. A similar funding approach could also be applied to part-day programs. Information on the hours of operation would need to be collected to accurately project costs.

The following assumptions have been used in the calculating the cost of changes:

- 7,761 full-day spaces (infants - 400; toddlers - 460; pre-school - 5711; school age - 1,200)
- 3,357 part-day spaces:
- Average fees from portability project analysis:
- Average province-wide - non-profit \$20.39, commercial \$21.29 (range of \$17.20 - \$30.00)
- Average in Central Region - non-profit \$22.22; commercial \$23.47

**APPENDIX 5:
MEMBERS OF THE CHILD CARE FUNDING REVIEW WORKING GROUP**

Virginia O'Connell	Director Early Childhood Development Services
Jane Grantmyre	Project Manager Early Childhood Development Services
Deb Paterson	Program Administration Officer Early Childhood Development Services
Lois Block	Research & Statistical Officer Policy Support & Evaluation
Paul Conroy	Economic Analyst Federal/Provincial Initiative
Peter Crowell	Financial Consultant Family & Children's Services
Colleen Hooper	Coordinator, Accounting & Financial Standards Finance and Administration Division
Doug Lapointe	IT Support Family & Children's Services IT Services
Sandy Spencer	Coordinator, Program Standards Employment Support Services
George Squires Manager,	Business Solutions IT Services
Michelle Whelan	Director Communications

APPENDIX 6: KEY INFORMANTS AND STAKEHOLDERS

KEY INFORMANTS IN NOVA SCOTIA:

Government Officials:

Marilyn Allen: Services	Finance and Administration Division, Department of Community Services
Marcia Barss: Services	Early Childhood Development Services, Department of Community Services
Virginia O'Connell: Services	Early Childhood Development Services, Department of Community Services
Jane Fitzgerald:	Family and Children's Services; Department of Community Services; Child and Youth Action Committee
Jane Grantmyre: Services	Early Childhood Development Services, Department of Community Services
Paula Languille:	Central Region, Department of Community Services
Sheila Lenaghan:	Central Region, Department of Community Services
Bronwen Lloyd: Services	Early Childhood Development Services, Department of Community Services
Tanya Leights: Services	Finance and Administration Division, Department of Community Services
Don MacKenzie:	Eastern Region, Department of Community Services
Alicia Nolan:	Prevention Services, Department of Community Services
Deb Paterson: Services	Early Childhood Development Services, Department of Community Services
Shari Ridgewell: Services	Early Childhood Development Services, Department of Community Services
Joanne Ross: Services	Early Childhood Development Services, Department of Community Services
Nancy Taylor: Services	Early Childhood Development Services, Department of Community Services
Barb Williams:	Children's Aid Society of Halifax

Information meetings were held with:

Income and Employment Support Services Division, Department of Community Services
 Finance and Administration Division, Department of Community Services
 Policy, Support and Evaluation, Operational Support Division, Department of Community Services
 The Nova Scotia Round Table on Child Care

Community Stakeholders:

Cynthia Autran:	Pre-school Education Association of Nova Scotia
Joyce Beaudry:	Provincial Association for Family Day Care
Barb Boiduk:	Early Intervention Association of Nova Scotia
Alice de la Durantaye	Societe provincial des intervenant du prescolaire
Elaine Ferguson:	Child Care Connections
Karen Geddes:	Board of Directors, Child Care Connections
Pat Hogan:	Certification Council of ECE of Nova Scotia
Sharon Hope Irwin:	SpecialLink

Mary Lyon: Department of Child and Youth Study, Mount St Vincent University
Anna MacDonnell: The Institute for ECE and Developmental Services
Connie Miller: The Institute for ECE and Developmental Services
Pixie Naugle: The Developmental Centres Group
Lynda Rice: Nova Scotia Community College
Goranka Vukelich: St. Joseph's College

Focus Groups were held with:

The Private Licensed Administrators' Association
The Non-Profit Directors' Association
The Cape Breton Non-Profit Day Care Directors' Association

KEY INFORMANTS OUTSIDE NOVA SCOTIA:

Jane Bertrand: George Brown College Toronto, Ontario; primary researcher of the Ontario *Early Years Study*
Maria deWit: Family Child Care Services, Toronto, Ontario
Gillian Doherty: Child CHare Researcher; University of Guelph, Ontario
Kathleen Flanagan-Rochon: Department of Health and Community Services, Prince Edward Island; National Children's Agenda Federal/Provincial Working Group
Martha Friendly: Child Care Resource and Research Unit, University of Toronto
Diane Goldberg: Child Care Inform, Vancouver, BC
Rita Chudnovsky: Child Care Consultant, Vancouver, BC
Mab Oloman: Supported Child Care, Ministry for Children and Families, BC
Kathy Reid: Child Day Care, Manitoba Family Services and Housing
Jocelyne Tougas: Child Care Consultant, Lac Echemin, Quebec
Pat Wege: Manitoba Child Care Association

APPENDIX 7**MEETINGS WITH SENIOR GOVERNMENT OFFICIALS**

Ed Cramm	Deputy Minister
Bob Fowler	Assistant Deputy Minister
Jane Fitzgerald	Executive Director, Family & Children's Services

Operational Support Division:

George Savoury	Director, Policy Support and Evaluation
Brenda Murray	Planning & Development Officer
Wambui Kipusi	Planning & Development Officer

Income & Employment Support Services:

Tracey Williams	Executive Director,
Mary Lou Griswold	Director, Income Assistance
Peter Barteaux	Integrated Child Benefit

Finance & Administration:

George Hudson	Executive Director, Finance and Administration
Roger Angevine	Manager, Accounting & Control
Clem Hennebury	Manager, Budgets & Results
Colleen Hooper	Coordinator, Accounting & Financial Standards

Child Welfare and Residential Services

Barb Williams	Children's Aid Society of Halifax
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